CHAIRMAN'S MESSAGE

I am pleased to present the Federal Deposit Insurance Corporation's 1999 Program Performance Report.

We entered 1999 with a special challenge. Public opinion polls indicated less than complete public confidence in our nation's ability to weather the century date change without disruptions in service. Along with the other federal banking regulators and the state agencies, the FDIC continued the work started earlier in the 1990's to ensure that the banking system would be prepared for the Year 2000 transition through special examinations of all FDIC-insured depository institutions, as well as service providers and software vendors, and we engaged in an aggressive education program to inform the public of these and other preparations. As evidenced by the consumer response and the lack of material or adverse service disruptions during the 1999/2000-rollover period, our efforts succeeded.

Despite the resources directed at the Year 2000 effort, the FDIC also fulfilled its ongoing program responsibilities for insurance, supervision and receivership management.

As has been the case since the FDIC's inception, in 1999 no depositors lost a single cent of their insured deposits. And, in seven of the eight insured depository failures occurring in 1999, the insurance program met its internal goal of providing customer access to insured deposits within three days of the institutions failures.

To assure that FDIC-supervised institutions are properly managing risk, our examiners initiated 2,555 safety and soundness examinations in 1999. These efforts, coupled with our insurance program's identification and communication of industry risks, help ensure the safe operation of insured institutions and the financial integrity of the insurance funds.

In addition to conducting activities related to safety and soundness, the FDIC's responsibilities also encompass consumer rights activities, which include providing information to consumers and the industry and conducting examinations to assess the compliance of FDIC-supervised institutions with consumer protection laws and regulations and with the Community Reinvestment Act (CRA). These efforts promote consumer understanding of their rights and compliant industry practices. Based upon their last examination, at year-end 1999, 97% of FDIC-supervised institutions were rated satisfactory or better for compliance with consumer protection laws and regulations and 99% for compliance with the CRA.

In 1999, the FDIC's receivership management program continued to refine the tools used to determine the least costly resolution for failing institutions and to achieve recoveries for creditors of failed institutions.

In addition to these activities, the FDIC approved a corporate Strategic Plan on Diversity in 1999. The plan establishes the framework for FDIC to leverage its most valuable resource, its employees. FDIC is committed to maintaining an environment were all employees can reach their potential thereby allowing the FDIC to attract and retain the highest quality workforce.

Donna A. Tanoue, Chairman

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EXECUTIVE SUMMARY

In 1999, the FDIC continued to successfully fulfill its mission of contributing to the stability and public confidence in the nation's financial system[1]. In addition to effectively and efficiently performing its usual activities associated with the insurance, supervision, and receivership management programs, the FDIC is particularly proud of its role, in conjunction with the other federal banking agencies and state authorities, in successfully preparing for the Year 2000 (Y2K) rollover.

The FDIC established 25 Annual Performance Goals (APGs) in its three program areas. In addition, the FDIC established six Resource Goals related to effective management of the resources required for accomplishing the FDIC's mission. The FDIC achieved, exceeded or substantially completed twenty-nine of its thirty-one 1999 performance goals. Its efforts to address one goal, succession planning, will continue in 2000 through development of a leadership development strategy and action plan that will be implemented beginning in 2000 and 2001 as a part of the Corporation's ongoing Management Excellence Program. Another goal, a customer satisfaction survey, did not produce useable results. An alternative strategy has been developed for 2000.

1999 program highlights include:

INSURANCE PROGRAM

- Undertook massive efforts to educate consumers on Y2K issues, which included media tours, participation in over 450 outreach events, and development and distribution of guidance for consumers
- Developed a Y2K contingency plan for readiness in the event of a Y2K-related technological failure, and substantially completed contingency plans for handling the failure of a large institution
- Identified, analyzed and communicated issues and concerns related to risk areas such as: subprime lending; high loan-to-value lending; acquisition, development and construction lending practices; loan underwriting standards; agricultural risks; and electronic banking and privacy

SUPERVISION PROGRAM: SAFETY and SOUNDNESS

- Completed 100% of required Phase II on-site Y2K assessments for FDIC-supervised institutions, service providers and software vendors, resulting in no material or adverse developments during the 2000 rollover period
- Cured all statutory safety and soundness examination delinquencies from 1998 and initiated 95% of required examinations in 1999

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[1] The FDIC's complete mission statement is "The FDIC, an independent agency created by Congress, contributes to stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions and managing receiverships."

SUPERVISION PROGRAM: CONSUMER RIGHTS

- Cured all delinquencies from 1998 and exceeded the goal for initiating FDIC-required compliance and CRA examinations in 1999

RECEIVERSHIP MANAGEMENT PROGRAM

- Cash collections were $980 million, nearly twice the stated goal and the book value reductions of $1,633 exceeded the goal by 15%

STRATEGIC RESOURCES

- Completed Y2K-readiness tests on all production applications and completed Y2K renovations on all mission-critical applications within prescribed timeframes, resulting in no service disruptions during the 2000 rollover period

- Finalized and received Board approval on FDIC's Diversity Strategic Plan

There were no situations in 1999 where actual performance had an adverse impact on FDIC's activities or programs. In addition, projected 1999 performance was considered in the development of 2000 APGs. Based upon actual 1999 performance, no revisions to 2000 APGs are anticipated.

Many of the 1999 APGs were accomplished in conjunction with, or involved the cooperation of, the other federal banking agencies and state authorities. This crosscutting work was coordinated through established business activities, such as data sharing and participation in joint examinations, the Federal Financial Institutions Examination Council, and individual projects. Interagency coordination is further facilitated by the participation of the Office of the Comptroller of the Currency and Office of Thrift Supervision directors on the FDIC's Board of Directors.

Detailed results for each APG, comparing actual to targeted 1999 performance are presented in the report. The results are organized by program area[2]. Appendix A presents the FDIC's strategic goals and objectives. Appendix B presents comparative results for 1999 APGs carried over from 1998 which contributed to the achievement of the FDIC's Strategic Plan.

In addition to successfully executing its Annual Performance Plan, the FDIC completed an evaluation of its Insurance Program. The evaluation concluded that the FDIC has implemented the procedures and processes required for protecting insured depositors from loss without recourse to taxpayer funding. A summary of the evaluation is presented in Appendix C, and the complete evaluation report may be requested from the FDIC as indicated below.

[2] In addition, a fifth section is presented for the Resource Goals supporting the FDIC's Management of Strategic Resources.

The Office of Inspector General (OIG), an independent office established within the FDIC, accomplishes its mission under *the Inspector General Act* (IG Act) by conducting independent and objective audits, investigations, and evaluations, and by keeping the Chairman and Congress informed of its work. The OIG independently prepared and published its own Annual Performance Plan for 1999 as referenced in the Corporation's 1999 Annual Performance Plan. The OIG is including its Annual Performance Report for 1999 as part of its Semiannual Report to the Congress for the period ending March 31, 2000. As required under the IG Act, the Inspector General furnishes his Semiannual Report to the Chairman, who transmits it, along with the Corporation's Report on Final Action, to the Congress.

No significant contributions were made by non-government sources in the preparation of this report.

Copies of this report, the FDIC's 1998-2003 Strategic Plan, and FDIC's 1999 and 2000 Annual Performance Plans are available on-line at http://www.fdic.gov/about/strategic/index.html. Hard copies of these products, and the Program Evaluation, may also be obtained from the FDIC's Public Information Center at 801 17th Street, NW, Room 100, Washington, D.C., 20434. Copies may be requested in person, by mail, by telephone: (800) 276-6003 / (202) 416-6940, by fax: (202) 416-2076, or by e-mail: publicinfo@fdic.gov.

INSURANCE PROGRAM

The FDIC was established to insure bank and savings association deposits. This role of insurer helps ensure the stability of the financial system by guaranteeing the timely funding of insured deposits and the consequent faith in the U.S. banking system in times of stress. In executing the Insurance Program, the FDIC continually evaluates how changes in the economy, the financial markets and the banking system affect the adequacy and the viability of the deposit insurance funds.

The FDIC fulfills this role as insurer when a bank or savings association fails by paying insured depositors with either direct payment or arranging for the transfer of the insured deposits to an assuming institution. Promoting industry and consumer awareness also helps the FDIC protect depositors at banks and savings associations of all sizes. The FDIC reviews whether insured depository institutions make accurate disclosures regarding insured and uninsured products. The FDIC makes deposit insurance information available to the industry and consumers through various media, including the Internet, pamphlets, educational material and training. In 1999, the FDIC developed and implemented a comprehensive strategy to inform consumers about the steps taken by the FDIC, the other federal banking agencies and insured depository institutions to ensure that their systems were ready for the Year 2000 date change. The strategy included the development of printed educational material for consumers and publishing articles and other information in consumer news publications.

To protect the viability of the deposit insurance funds, the FDIC identifies risks to insured depository institutions. The FDIC analyzes domestic and international economic, financial and banking developments and communicates pertinent information to the industry and its supervisors. Contingency planning for future banking crises was a critical initiative for the FDIC in 1999, particularly in light of the Year 2000 date change.

The FDIC maintains sufficient deposit insurance fund balances by collecting risk-based insurance premiums from insured depository institutions and through prudent fund investment strategies. The FDIC promotes financial stability by exercising leadership in deposit insurance outreach efforts for insured institutions, the other federal banking agencies and other industry experts. The FDIC provides financial data on insured depository institutions to the public through publications, publicly available automated systems, the Internet and through other media.

Annual Performance Goal 1	Insured Deposits are Transferred to Successor Insured Depository Institution or Depositor Payouts are Begun Within Three Days of Institution Failure
Indicator	NUMBER OF DAYS FROM INSTITUTION FAILURE
Target	THREE DAYS

1999 Results

1999 failures:

Institution Failure	Fail Date	Depositors Have funds	Met 3 Day Goal
Victory State Bank, Columbia, SC	Fri. Mar. 26	Mon. Mar. 29	Yes
Zia New Mexico Bank, Tucumcari, NM	Fri. Apr. 23	Mon. Apr. 26	Yes
East Texas Nat'l Bank, Marshall, TX	Fri. Jul. 9	Sat. Jul. 10	Yes
Oceanmark Bank, FSB, North Miami, FL	Fri. Jul. 9	Mon. Jul. 12	Yes
First Nat'l Bank of Keystone, Keystone, WV	Wed. Sep. 1	Tue. Sep. 7	No
Peoples Nat'l Bank of Commerce, Miami, FL	Fri. Sep. 10	Mon. Sep. 13	Yes
Pacific Thrift & Loan, Woodland Hills, CA	Fri. Nov. 19	Mon. Nov. 22	Yes
Golden City Commercial Bank, New York, NY	Fri. Dec. 10	Sat. Dec. 11	Yes

- Achieved goal at seven of the eight failures in 1999.
- The goal was not met at the failure of First National Bank of Keystone, due to unusual circumstances. This was a sudden failure due to alleged fraud and liquidity concerns, allowing no time for advance marketing of the deposit franchise. The FDIC was only able to find an assuming bank for the local deposits. The bank had a large volume of non-local and brokered deposits which were paid out by the FDIC.

Annual Performance Goal 2	Contingency Plans are Developed That Include Identification of Resources and Training of Staff to Address Possible Year 2000 Technological Failures, Large Insured Depository Institution Failures, and Multiple, Simultaneous Failures
Indicator	Y2K and Large Insured Depository Institution Contingency Plans developed
Target	1. Y2K Contingency Plan due 12/15/99 2. Large Insured Depository Institution Contingency Plan due 12/31/99
1999 Results	• The first target was achieved. The FDIC developed a Y2K contingency plan and exercise scenarios for readiness in the event of a Y2K-related technological failure. This included the development and implementation of a training program, which provided specialized training to employees and contractors assigned to the Y2K contingency teams. A contingency Receivership Assistance Contract was also arranged to provide additional resources if needed. Communication centers were established, equipped, staffed, and tested. To date, no Y2K technological failures or difficulties have been reported. A final paper has been drafted regarding best practices and lessons learned from this process. • The second target, developing plans for the handling of large institution failures, is substantially complete. An interdivisional task force and nine subgroups were established to identify the primary issues and to develop plans related to the resolution of the failure of a large institution. Over thirty papers have been prepared to address the various issues identified by the nine subgroups. A paper integrating the results of the nine subgroups is being prepared. Because of focus on completing Y2K plans, final completion of the contingency plan for large institution failures was extended to June 2000. The Receivership Liability System computer application was developed and implemented to provide the FDIC the ability to handle a large failure or multiple simultaneous failures. The FDIC also developed a resolution and receivership management training program to assure a multi-disciplined FDIC workforce capable of fulfilling our resolution and receivership mission.
Goal Discontinued in 2000	The goal represented a one-time effort and was substantially accomplished as described above.

Annual Performance Goal 3	Report is Provided That Discusses the Implications of Industry Consolidation for the Deposit Insurance Funds, and if Problems are Found to Exist, Develop Recommendations for Appropriate Policy or Corrective Actions
Indicator	A REPORT CONTAINING RECOMMENDATIONS FOR APPROPRIATE POLICY OR CORRECTIVE ACTIONS
Target	DECEMBER 31, 1999
1999 Results	The FDIC analyzed the effects of industry consolidation on the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) and a hypothetical combined BIF and SAIF. Upon completion of the analyses, two reports were published describing the results, entitled *Effects of Bank Consolidation on the Bank Insurance Fund*, and *Merging the BIF and the SAIF* (Working Paper 99-3) and *Would a Merger Improve the Funds' Viability?* (Working Paper 99-4). On September 8, 1999, the reports were published in the FDIC's "Working Paper Series" and posted on the FDIC's external Web site (http://www.fdic.gov/bank/analytical/working/index.html). (All papers published in the FDIC's "Working Paper Series" are available to the public.)
Goal Discontinued in 2000	This goal represented a one-time effort and was accomplished as described above.

Annual Performance Goal 4	Risks Emerging in 1999 to Insured Depository Institutions are Identified Through Off-Site and On-Site Risk Identification Processes and are Communicated Through a Variety of Reports to the Industry and its Supervisors
Indicator	1. Reports issued 2. Outreach Efforts or Communications on Risk
Target	December 31, 1999
1999 Results	• On-site and off-site risk identification processes highlighted the following issues and concerns: ➢ Subprime lending ➢ High loan-to-value (HLTV) lending ➢ Acquisition, development, and construction (ADC) lending practices ➢ Loan underwriting standards ➢ Agricultural lending risks ➢ Electronic banking ➢ Large-bank information analysis • These and other issues were communicated to the industry and its supervisors through numerous reports, publications, guidance memoranda and outreach efforts. (See various bullets below.) Information on these and other topics, that are available to the public, can be obtained through the FDIC Public Information Center or on the FDIC website (www.FDIC.gov). • ***Subprime and High Loan-to-Value Lending.*** The FDIC issued Interagency Guidelines on Subprime Lending reminding banks of the risks inherent in subprime lending and outlining the types of controls that banks are expected to have in place before entering this field of lending. Interagency Guidelines were also issued on High Loan-to-Value Lending outlining the primary credit risks associated with HLTV lending. The FDIC delivered presentations at more than twenty events or seminars sponsored by trade associations and other regulatory agencies addressing regulatory expectations for subprime and HLTV lending. Development of a proposal to require higher minimum capital levels for insured institutions with concentrations in subprime lending began in 1999. This draft proposal is being considered with the other bank regulators. • ***Agricultural Lending***. Chairman Tanoue provided written statements to the House committee on Agriculture entitled "Current Agricultural Conditions and the Outlook into 2000." The FDIC presented "Challenges Facing Agricultural Banks" at the Farm Credit Administration Regulator's Conference in Washington D.C. The FDIC also sponsored Agricultural Lender Roundtable Meetings in Louisiana, Mississippi, and Arkansas to discuss emerging risks in agriculture and best practices. FDIC developed a proposal to formalize our participation in agricultural and rural issues. The proposal employs five general approaches: analysis and the publication of

Annual Performance Goal 4	Risks Emerging in 1999 to Insured Depository Institutions are Identified Through Off-Site and On-Site Risk Identification Processes and are Communicated Through a Variety of Reports to the Industry and its Supervisors

1999 Results *(Continued)*

pertinent articles; continued Congressional interaction on agricultural and rural issues; participation in conferences and other forums; outreach to the banking industry; and enhanced monitoring of individual institution and systematic risk in the agricultural sector.

- ***Large Bank Project***. An interdivisional analyst team was established to survey supervisory and other information on the largest insured institutions to identify broad risks, trends and issues. During the first phase, the team conducted an analysis of the 25 largest U.S. banking institutions. The analysis discusses initiatives to quantify insurance fund risks, identify strengths and limitations of existing information, and determine whether significant information gaps exist. These initiatives are to be more fully developed during the second phase of the project in 2000.

- ***Risk Case***. Prior to the FDIC Board's consideration of semi-annual deposit insurance rates, a comprehensive analysis of economic conditions and emerging risks in banking is developed. The analysis provides the Board and members of Senior Management with an overview of current trends and highlights any vulnerabilities in the economy or the banking industry that could adversely affect insured institutions and result in losses to the deposit insurance funds. The analysis and accompanying materials also serve as a forum for discussion of efforts by the FDIC and other banking agencies to address risks in banking. The FDIC presented the risk case semi-annually internally to Senior Management, and externally to the Office of the Comptroller of the Currency, the Federal Reserve, the Office of Thrift Supervision, and several other federal and state agencies. In addition, both semi-annual 1999 reports were condensed for dissemination outside the FDIC in the second and fourth quarter editions of the Regional Outlook and were summarized into *U.S. Risk Profiles* available in RECON.

- ***Regional Outlook***. Two 1999 publications featured articles discussing high loan-to-value lending, syndicated lending, trends in major commercial real estate markets, funding trends for community banks and commodity industries under stress. The other two editions each featured a summary of the semi-annual report to the Board entitled, "Economic Conditions and Emerging Risks in Banking." The report typically focuses on developments and conditions in the U.S. and global economies; trends affecting particular banking lines of business such as consumer lending, commercial lending, commercial real estate lending, and agricultural lending; and funding and interest rate risk; and selected indicators of bank performance. The National Edition of the *Regional Outlook* was introduced which, in addition to In Focus articles, contained highlights of its regional analysis of trends affecting FDIC-insured institutions across the United

Annual Performance Goal 4	Risks Emerging in 1999 to Insured Depository Institutions are Identified Through Off-Site and On-Site Risk Identification Processes and are Communicated Through a Variety of Reports to the Industry and its Supervisors

1999 Results *(Continued)*

States.

- ***Bank Trends***. An in-depth review of bank ADC lending practices within markets experiencing rapid development was completed, and the finalized results of this project were reported in a *Bank Trends* article entitled, "Recent Trends in Construction Lending Practices."

- ***Financial Institution Letters (FILs).*** The following FILs were issued in 1999.
  - ➢ Technology Risk Assessment Paper - a comprehensive paper intended to provide useful information to examiners and bankers discussing the importance of an information security program which addresses three key components – prevention, detection and response.
  - ➢ Interagency Guidelines on Asset Securitization – interagency guidelines highlighting the risks associated with asset securitization and emphasizing the concerns with certain retained interests generated from the securitization and sale of assets.
  - ➢ Nine special alert financial institution letters were issued on different topics of fraud.

- ***Updates and Regional Commentaries***. Eleven *Update* articles and twenty-five *Regional Commentary* articles, which are series of periodic papers addressing timely issues involving various national and local / regional economic and banking conditions, were made available on the FDICnet. The articles focus on various risk topics such as regional job growth, effects of rising interest rates, the effects of drought conditions on regional farmers, commercial real estate trends, financial pressures on the healthcare industry, declining commodity prices, and subprime mortgage lending.

- ***Quarterly Banking Profile***. The *Quarterly Banking Profile* is a publication providing the earliest comprehensive survey of financial results for all FDIC-insured commercial banks and savings institutions. The Third Quarter 1999 report disclosed that industry profits continued at a strong pace and overall asset quality improved. The earnings performance of smaller thrifts continues to lag behind that of larger institutions.

- ***Survey of Real Estate Trends***. The *Survey of Real Estate Trends* is a survey of examiner observations on real estate trends. The survey results are published in January, April, July and October. The 1999 survey reported continued optimism about conditions in the majority of local real estate markets.

Annual Performance Goal 4	Risks Emerging in 1999 to Insured Depository Institutions are Identified Through Off-Site and On-Site Risk Identification Processes and are Communicated Through a Variety of Reports to the Industry and its Supervisors
1999 Results *(Continued)*	• ***Report on Underwriting Practices****.* The *Report on Underwriting Practices* is a survey of examiner observations on bank and market conditions regarding current lending practices of FDIC-insured institutions. The Report is made available to the public on a semi-annual basis. The September 1999 survey results indicated a low-level of absolute credit risk among FDIC-supervised banks. • ***Real Estate Data System***. The *Real Estate Data System* is an electronic data system which consolidates and makes available on the FDIC internal Web site real estate data and research market analyses. The *Real Estate Data System* also contains information on regional, state and local real estate markets as well as data on banks' real estate lending. The October 1999 data indicated a rise in commercial vacancy rates nationally. • ***Outreach Efforts.*** Over 900 national and regional risk-related outreach efforts were conducted in 1999 to bank regulator groups as well as to trade associations, international groups and other financial industry participants. These efforts emphasized subprime lending and high loan-to-value lending risks, commercial real estate trends, globalization and technological advances, financial modernization, internet and electronic banking risks, risks inherent in industry consolidation, adequacy of loan loss reserves, fraud, Y2K, and high-risk hedge funds and derivatives.
Goal Revised in 2000	This annual goal has been revised for 2000 to simplify the language. The following goal was established in the 2000 Annual Performance Plan: Emerging trends and emerging risks in banking are identified, monitored and addressed appropriately

Annual Performance Goal 5	The Risk-Based Premium System More Appropriately Reflects Risks to the Deposit Insurance Funds and Modifications are Explored That may Make the System More Forward-Looking
Indicator	MODIFICATIONS METHODOLOGY RECOMMENDED
Target	DECEMBER 31, 1999

1999 Results

- Each quarter, the Failure Projection Working Group (FPWG) met to discuss conditions in the banking industry and economic conditions, review projected failures, and review the contingent loss reserve methodology. The committee also worked with the General Accounting Office (GAO) on year-end statements and Y2K concerns. In July 1999, the charter of the FPWG was expanded to include a broader consideration of changes in fund exposure. The committee was renamed the Financial Risk Committee (FRC) to reflect its broader responsibilities. The FRC received information and analysis from three subgroups:
  - The Modeling Subgroup, which develops stress scenarios and models to quantify various components of fund exposure;
  - The Screening Subgroup, which develops screens based on market and reported information to identify potential changes in the level of fund exposure and to inform the review process for assigning risk-based premiums; and
  - The Financial Reporting Subgroup, which determines the information to be reported in FDIC financial statements and considers any changes to the method for loss reserving.

  The FRC also receives input from the other bank regulatory agencies and exchanges information on industry risk on an ongoing basis.

- In an effort to address risky practices through the existing premium system, the FDIC continued to focus on the development and testing of objective screens for use in the review process for premium assignments as well as procedures for addressing any deficiencies in risk management among the flagged institutions. Screens currently being implemented relate to rapid growth, high loan yields, high concentrations in potentially risky lines of business and substantial changes in business mix. The screens will be modified as needed on an ongoing basis in consultation with the other federal banking agencies. Institutions that are candidates for reclassification in the second semi-annual assessment period of 2000 due to these enhancements will be notified in February.

- The FDIC implemented Y2K readiness ratings flags in the reconcilement process for the Risk-Related Premium System (RRPS). These flags ensured that the assessment risk classification process incorporates Y2K examination ratings assigned by the primary supervisor.

- The FDIC continued to explore modifications that will ensure that the RRPS reflects additional risk, such as risky practices and Y2K concerns. Some banks expressed concern that because of Y2K they may experience large

Annual Performance Goal 5	The Risk-Based Premium System More Appropriately Reflects Risks to the Deposit Insurance Funds and Modifications are Explored That may Make the System More Forward-Looking
1999 Results *(Continued)*	deposit growth and loan demand, particularly on lines of credit, at the end of 1999, which may temporarily depress capital ratios. In recognition of this timing issue, the FDIC accelerated its work in progress on a notice of proposed rule making for the capital cut-off date used in assigning risk-based premiums. On August 31, a case was presented to and approved by the FDIC Board of Directors that proposed a change to the cutoff date for determining the capital component of an institution's assessment classification from six months to three months prior to the assessment period. The timing of the proposed change meant that December 31, 1999 capital levels would not be used to determine assessment classifications. A notice of proposed rulemaking appeared in the Federal Register on September 8, and the final rule was subsequently approved and published in the Federal Register on December 16, 1999. • FDIC evaluated proposals to modify the definition of the assessment base in conjunction with adoption of the Core Call Report. Proposals include using average daily deposit balances, instead of end-of-quarter balances, in determining the assessment base, and eliminating adjustments to the assessment base, including adjustments reported on Call Report Schedule RC-O and the float deduction. Making the proposed assessment base changes could increase fairness and reduce reporting requirements, but it would alter assessment bases and could redistribute the burden of assessments. The draft advance notice of proposed rule making is expected to be completed the first part of 2000.
Goal Discontinued in 2000	The goal was replaced in the 2000 Annual Performance Plan with two goals that more accurately reflect our efforts to maintain the viability of the insurance funds: • Significant Increases in Insurance Fund Exposures are Identified • Assessment Rate Schedules and Risk Classifications Correspond with Relative Risk Rankings of Insured Institutions, Subject to Statutory Constraints. These goals measure both our ability to maintain the viability of the fund under current and expected banking and economic conditions and to ensure that measurements used to determine premium rates and risk classifications appropriately reflect risks to the insurance funds.

Annual Performance Goal 6	Deposit Insurance Education and Training are Provided to Insured Depository Institutions and the Public, With Specific Emphasis on Year 2000 Awareness
Indicator	DEPOSIT INSURANCE TRAINING, EDUCATION, AND OUTREACH INITIATIVES
Target	DECEMBER 31, 1999

1999 Results

During 1999, the FDIC participated in 52 deposit insurance outreach events:

- The FDIC participated in four nationwide telephone "live link" seminars for bankers, two sponsored by the Independent Community Bankers Association and two sponsored by the American Bankers Association. These four sessions focused on the April 1999 changes to the deposit insurance rules and reached approximately 2,100 bankers representing nearly 350 financial institutions.

- The FDIC conducted 37 deposit insurance seminars for depository institutions related to general deposit insurance issues:

  - 16 sessions were sponsored by State trade organizations
  - 13 sessions were sponsored by local American Institution of Banking chapters
  - 2 sessions were conducted at the ABA National Compliance School
  - 2 sessions were conducted at the ABA National Compliance Conference
  - 4 seminars were conducted for employees of 4 individual financial institutions

  These seminars were conducted in the States of Arkansas, Florida, Hawaii, Illinois, Iowa, Louisiana, Oklahoma, Minnesota, Missouri, New Hampshire, New York, Texas, Vermont, Virginia, and West Virginia. The seminars together were attended by nearly 1,900 bankers. All of the seminars focused primarily on deposit insurance education but also addressed Year 2000 public awareness and Year 2000 public education information sources.

- Three deposit insurance training seminars were provided for state governments -- one each for the New Jersey State Banking Department, attended by 45 individuals; the Michigan Municipal and City Treasurers, attended by 30 individuals; and the Ohio County Treasurers, attended by 65 individuals.

- The FDIC staffed exhibit booths at eight major conventions involving industry, trade and consumer groups. The convention groups included: the Independent Bankers Association of America (Annual Convention), attended by 1,030 individuals; the American Bankers Association (National Compliance Conference), attended by 470 individuals; the America's Community Bankers (National Compliance Conference), attended by 200 individuals; the American Society on Aging (Annual Convention), attended by 3,500 individuals; the Consumer Federation of America (Consumer Assembly 99, attended by 400 individuals and Financial Services Conference, attended by 235 individuals); the National Consumers League (Annual Conference), attended by 315 individuals; and the American Council of Consumer Interests (Annual

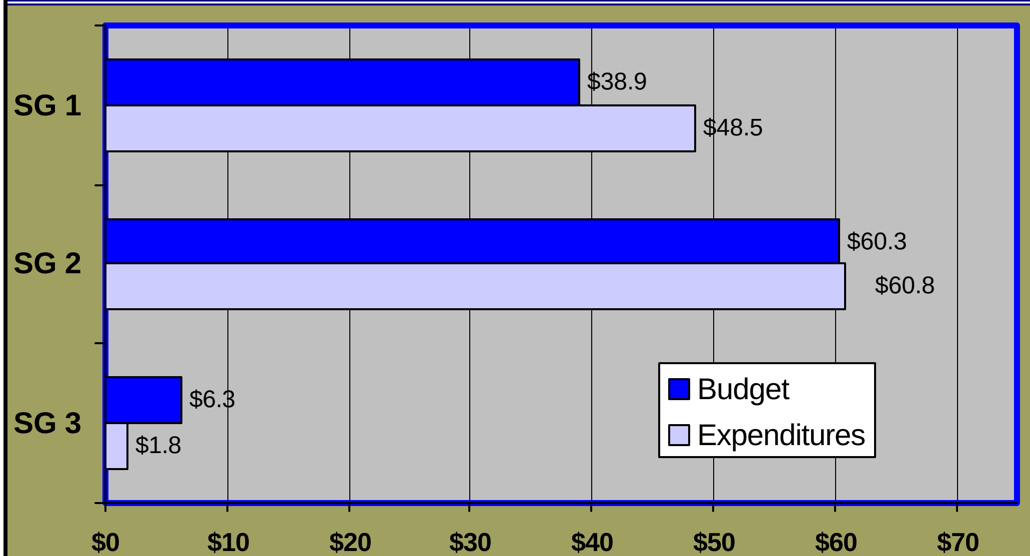
Annual Performance Goal 6	Deposit Insurance Education and Training are Provided to Insured Depository Institutions and the Public, With Specific Emphasis on Year 2000 Awareness
1999 Results *(Continued)*	Convention), attended by 198 individuals. FDIC staff at the exhibit booths answered questions and distributed educational materials concerning FDIC deposit insurance coverage, the Year 2000 computer conversion issue, and other consumer protection topics. • It is estimated that more than 80% of the 156,000 calls made to FDIC's Consumer Affairs Call Center during 1999 were deposit insurance inquiries from consumers and bankers. In addition, during 1999, DCA received 1,266 letters and Internet inquiries from consumers and bankers about FDIC deposit insurance coverage. • FDIC completed modifications to its consumer brochure, *Your Insured Deposit*, and the handbook, *The Financial Institution Employee's Guide to Deposit Insurance*, to reflect the changes to the deposit insurance rules adopted by the FDIC Board of Directors in April, 1999. Deposit insurance training materials were also modified to reflect the new rules. Production of these materials was completed in the fourth quarter. • Deposit insurance information on the FDIC's web site was updated to accurately reflect the changes to the deposit insurance rules. • The capability of the FDIC Consumer Affairs Call Center was expanded to prepare for the possibility of a substantial increase in deposit insurance inquiries from the public that the FDIC expected might occur as a result of the Year 2000 date change.
Goal Revised in 2000	This goal has been revised in 2000 to facilitate a more results-oriented goal. The phrase “with specific emphasis on Year 2000 awareness” has been deleted, as this was a one-time goal applicable only to 1999. The following goal was established in the 2000 Annual Performance Plan: Effectively conduct deposit insurance outreach nationwide. The focus for 2000 and beyond will be measuring the effectiveness of the FDIC’s deposit insurance outreach efforts, as well as continuing to measure the number and types of outreach activities.

Annual Performance Goal 7	The FDIC, in Coordination with Other Federal Banking Agencies and State Authorities, will Undertake Efforts to Educate Consumers on Year 2000 Issues. The FDIC will Provide Factual and Usable Information on Year 2000 Issues to Consumers in an Effort to Maintain the Public Confidence in the Banking System. The FDIC will also Remind Consumers that Deposit Insurance will not be Affected by the Century Date Change
Indicator	YEAR 2000 CONSUMER EDUCATION INITIATIVES
Target	ONGOING THROUGH 1999
1999 Results	• In conjunction with other federal banking agencies, produced a video for bankers to show consumers, featuring the Federal Banking Regulators addressing Y2K issues. • Produced a video for FDIC employees on Y2K to provide employees with a high-level view of the primary Y2K initiatives that FDIC has undertaken, as well as Y2K preparations being made by financial institutions. • The FDIC Chairman and the principals of all of the Federal Bank Regulator agencies participated in joint media tours to educate consumers on Y2K issues. • Created, in conjunction with other federal banking agencies, *A Y2K Checklist for Customers*. The Y2K Checklist provided steps that consumers could take to help reduce or eliminate any problems that might have occurred as a result of the Year 2000 date change. Helpful suggestions included keeping good records of financial transactions; balancing checkbooks regularly; and being aware of potential fraudulent practices. • Provided testimony before Congressional Committees on the financial industry's preparations for the Year 2000 date change. • Published a special consolidated Y2K edition of the *FDIC Consumer News*. In addition, the Fall 1999 FDIC Consumer News focused on information about Y2K for bank customers, including answers to commonly asked questions, Internet sites, toll-free phone numbers and year-end to-do lists. • In conjunction with other federal banking agencies, released the results of the Gallup survey conducted to assess depositor awareness of, and potential reaction to, banking account and transaction problems resulting from the Year 2000 date change. • FDIC used media activities by the FDIC Chairman and senior officials to promote the Corporation's Y2K message through interviews with major news sources such as CNN, *NBC Nightly News*, *USA Today, the Washington Post,* and other major media outlets, as well coverage by national columnists such as Jane Bryant Quinn, Ann Landers, and Heloise.

Annual Performance Goal 7	The FDIC, in Coordination with Other Federal Banking Agencies and State Authorities, will Undertake Efforts to Educate Consumers on Year 2000 Issues. The FDIC will Provide Factual and Usable Information on Year 2000 Issues to Consumers in an Effort to Maintain the Public Confidence in the Banking System. The FDIC will also Remind Consumers that Deposit Insurance will not be Affected by the Century Date Change
1999 Results *(Continued)*	• Participated in over 450 speaking and outreach events. • Participated in multiple media events with State Banking authorities. • The FDIC produced Y2K information that was distributed to consumers in Korean, Chinese (two versions) and Spanish. • Bilingual (Spanish and English) contractors were hired to staff the Y2K Call Center in December to answer questions about Y2K and deposit insurance. • The FDIC established partnerships with various external organizations such as the Red Cross, Small Business Administration, Administration on Aging, American Association of Retired Persons and various community-based organizations. • In connection with the FDIC's partnerships with other federal, state, and local government organizations, the FDIC participated in numerous Y2K Employee Information Fairs and Town Meetings to inform the public and federal, state, and local government employees about the FDIC's Y2K efforts and the banking industry's. • The FDIC expanded operation of a toll-free telephone line (1-877-FDIC-Y2K) to receive public inquiries about the Year 2000 date change and its effect on financial institution customers. Official reporting on the Y2K telephone line began March 1, 1999. As of December 31, the DCA Call Center answered more than 8,700 consumer telephone inquiries concerning the Y2K issue. During this same period, another 379 consumer calls concerning the Y2K issue were answered by the FDIC's Office of the Ombudsman.
Goal Discontinued in 2000	This goal was a one-time event and was accomplished as described above.

	Strategic Goal Description
I-SG 1	**Customers of Failed Insured Depository Institutions Have Timely Access to Insured Funds and Services**
I-SG 2	**Deposit Insurance Funds Remain Viable**
I-SG 3	**Consumers Know What Funds are Insured**

1999 Budget and Expenditure Summary by Strategic Goal[3]
($ in Millions)



Strategic Goals Shown With Supporting Annual Performance Goals

I-SG 1	• Insured Deposits are Transferred to Successor Insured Depository Institution or Depositor Payouts are Begun Within Three Days of Institution Failure • Contingency Plans are Developed That Include Identification of Resources and Training of Staff to Address Possible Year 2000 Technological Failures, Large Insured Depository Institution Failures, and Multiple, Simultaneous Failures
I-SG 2	• Report is Provided That Discusses the Implications of Industry Consolidation for the Deposit Insurance Funds, and if Problems are Found to Exist, Develop Recommendations for Appropriate Policy or Corrective Actions • Risks Emerging in 1999 to Insured Depository Institutions are Identified Through Off-Site and On-Site Risk Identification Processes and are Communicated Through a Variety of Reports to the Industry and its Supervisors • The Risk-Based Premium System More Appropriately Reflects Risks to the Deposit Insurance Funds and Modifications are Explored That may Make the System More Forward-Looking
I-SG 3	• Deposit Insurance Education and Training are Provided to Insured Depository Institutions and the Public, With Specific Emphasis on Year 2000 Awareness • The FDIC, in Coordination with Other Federal Banking Agencies and State Authorities, will Undertake Efforts to Educate Consumers on Year 2000 Issues. The FDIC will Provide Factual and Usable Information on Year 2000 Issues to Consumers in An Effort to Maintain the Public Confidence in the Banking System. The FDIC will also Remind Consumers that Deposit Insurance will not be Affected By the Century Date Change

[3] Includes direct and indirect costs of FDIC business processes, which are associated with Strategic Goals. Activities associated with the accomplishment of Annual Performance Goals are a component part of these business processes

SUPERVISION PROGRAM: SAFETY AND SOUNDNESS

The FDIC supervises 5,793[4] FDIC-insured state-chartered commercial banks that are not members of the Federal Reserve System, described as, state nonmember banks. This includes state-licensed insured branches of foreign banks and state-chartered mutual savings banks. The FDIC also has examination authority and back-up enforcement authority for state member banks that are supervised by the Board of Governors of the Federal Reserve System, national banks that are supervised by the Office of the Comptroller of the Currency and savings associations that are supervised by the Office of Thrift Supervision.

As supervisor, the FDIC performs safety and soundness examinations of FDIC-supervised institutions to assess overall financial condition, management practices and policies and compliance with applicable laws and regulations. The FDIC also assesses internal control systems, and procedures normally performed in completing this assessment may disclose the presence of fraud or insider abuse. Through the examination process, in 1999, the FDIC also assessed the readiness of FDIC-supervised institutions for the Year 2000 date change.

The FDIC also monitors insured institutions' efforts to appropriately manage risks through off-site reviews. These reviews monitor risks and changes in financial conditions of insured institutions. The FDIC utilizes off-site reviews to facilitate pre-examination planning and to determine if examinations are needed outside of the regular schedule.

The FDIC's assessment of industry trends, risks and safe and sound management practices are communicated to the public through written documents, industry seminars and the *Internet* thus promoting market discipline of insured depository institutions. Risks to FDIC-supervised insured depository institutions identified during an examination are communicated to the institution's management and the Board of Directors. Risks identified during the examination of institutions are also integrated into the supervisory process.

The FDIC also monitors entry into, and expansion of, institutions in the insured depository institution system. Institutions applying for entry into or expansion of existing activities or locations must be well capitalized, possess a qualified management team, be capable of operating in a safe and sound manner and be compliant with applicable laws and regulations.

In the event weaknesses are detected through the examination process, the FDIC takes appropriate action. For insured depository institutions identified as having significant weaknesses or those that are operating in a deteriorated financial condition, the FDIC may oversee the re-capitalization, merger, closure or other resolution of the institution. Otherwise, the FDIC may issue a formal or informal enforcement action, under which the institution is required to operate, to address the weakness identified.

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[4] Third Quarter 1999 FDIC Banking Profile.

Annual Performance Goal 1	For Insured Depository Institutions, Off-Site Reviews are Performed on all SCOR and GMS Exceptions and LIDI/BIDI Reviews[5] are Conducted; Appropriate Follow-up Course of Action if any, for Identified Supervisory Concerns is Determined
Indicator	RESULTS OF SCOR, GMS, AND LIDI/BIDI OFFSITE REVIEWS
Target	100%
1999 Results	• Statistical CAMELS Offsite Rating (SCOR)/Growth Monitoring System (GMS) Programs: 100% of all SCOR and GMS exceptions were reviewed. Appropriate follow-up action was taken for institutions highlighted by the SCOR or GMS programs as exception(s) and determined to be of supervisory concern. SCOR – 100% of the SCOR exceptions were reviewed. During 1999, 628 SCOR exceptions required regional office review. Of the 151 institutions identified as a supervisory concern, 128 of these were examined in 1999 or had examinations planned for 1999 or 2000, with 70 institutions receiving CAMELS composite rating downgrades. The 23 remaining SCOR exceptions received off-site monitoring. GMS – 100% of the GMS exceptions were reviewed. During 1999, GMS identified 675 banks as exceptions. Of these, 38 banks were identified as having growth warranting supervisory concern; 24 of these banks were examined in 1999 or had examinations planned for 1999 or 2000. The remaining 14 institutions were monitored off-site. • Large Insured Depository Institution (LIDI)/Billion Dollar Insured Depository Institution (BIDI) Programs: FDIC fully achieved the LIDI and BIDI Programs' objectives for 1999, performing all required LIDI and BIDI reviews. LIDI - Off-site reviews were conducted on 100% of all LIDI institutions during 1999. During 1999, the LIDI program was revised, and the threshold requirements for preparing LIDI reviews were raised from $3 billion to $10 billion. These revisions provide enhancements such as improved communications, increased analytical focus on the largest and most complex companies, more timely analysis, and Washington office oversight and macro trend and emerging risk analysis. As a result of these revisions, the aggregate assets of LIDI institutions totaled $5.1 trillion at year-end 1999, down from $5.5 trillion at year-end 1998. Also, at year-end 1999, the number of LIDI institutions totaled 80, down from 165 at year-end 1998. BIDI - Off-site reviews were conducted on 100% of all BIDI institutions during 1999. In conjunction with the revised LIDI program, the BIDI

[5] See Glossary for definitions of SCOR, GMS, LIDI and BIDI

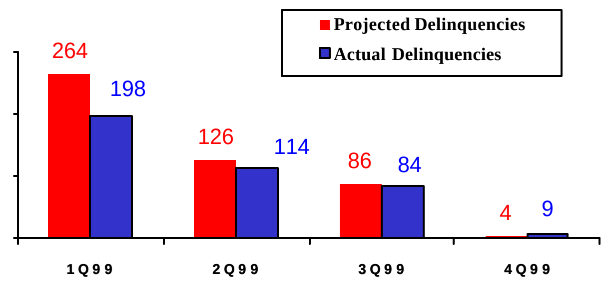
Annual Performance Goal 1	For Insured Depository Institutions, Off-Site Reviews are Performed on all SCOR and GMS Exceptions and LIDI/BIDI Reviews[5] are Conducted; Appropriate Follow-up Course of Action if any, for Identified Supervisory Concerns is Determined
1999 Results *(Continued)*	program was canceled during the fourth quarter. The BIDI program was duplicative since many BIDI subsidiaries are analyzed in conjunction with consolidated LIDI companies. Also, many BIDIs are covered by other monitoring systems such as SCOR and GMS and reviewed semi-annually in conjunction with risk-related premium reviews. At 9/30/99, there were approximately 111 BIDIs with aggregate assets of $0.7 trillion.
Goal Revised in 2000	The goal was revised in 2000 to better reflect the results that FDIC intends to achieve. The following goal was established in the 2000 Annual Performance Plan: 100% of Supervisory Concerns Noted During Off-site Reviews of Insured Depository Institutions are Resolved Without Further Action or are Referred for Examination or Other Supervisory Action

Annual Performance Goal 2	In Concert with the Other Federal Banking Agencies and Through the Basel Committee on Banking Supervision, with the Other G-10 Countries, Change the Capital Standards to Better Match Them With Risk Exposures Brought About By Changes In the Banking Industry, Advanced Technologies and New Products
Indicator	1. Efforts to develop capital standards and other capital markets activities 2. Advance Notice of Proposed Rulemaking (ANPR) drafted
Target	Delivery of recommendation(s) to change capital standards to Federal Financial Institutions Examination Council (FFIEC) capital subcommittee
1999 Results	The target level of performance was met. In addition to providing support on domestic and international capital initiatives, several other tasks on a Corporate and interagency basis were accomplished. Key accomplishments include the following: ♦ Developed an issues paper contemplating a non-complex capital framework for smaller institutions with simple balance sheet structures and low risk profiles. The paper was presented to the FFIEC Capital Subcommittee and serves as the foundation for the bifurcated capital concept. ♦ Developed a draft ANPR which introduces the concept of a bifurcated capital framework: the present day risk-based capital system or some derivative for large, complex institutions, and a simpler measure for institutions deemed non-complex. We anticipate presenting the ANPR to the FFIEC Capital Subcommittee in June 2000.
Goal Discontinued in 2000	The target was achieved as described above. Even so, the work on developing capital standards and advancing the concept of bifurcated capital is ongoing.

Annual Performance Goal 3	On-Site Safety and Soundness Examinations on FDIC-Supervised Insured Depository Institutions are Performed in Accordance With Statutory Requirements, FDIC Policy and State Agreements or as Otherwise Needed
Indicator	1. REQUIRED EXAMINATIONS[6] 2. TREND IN STATUTORY DELINQUENCIES FOR FDIC-SUPERVISED INSTITUTIONS
Target	1. 100% OF REQUIRED EXAMINATIONS STARTED 2. ZERO STATUTORY DELINQUENCIES BY DECEMBER 31, 1999

1999 Results

Statutory S&S delinquencies with
a required FDIC Examination



This goal was substantially completed. During 1999, FDIC initiated 2,555 examinations or 95% of its required examinations. The 5% difference includes 131 examinations that are required under alternating state examination agreements, and 9 delinquencies with a required FDIC examination that are being carried over to 2000. The variance had no effect on the overall program or activity performance.

The vast majority of the states participate in an alternating examination program under which examinations required by federal statute are performed on an alternating basis by the states and the FDIC. The FDIC monitors the examination schedules for those states performing examinations under the alternating examination program. If a state is going to delay, or is unable to perform an examination required under federal statute, the FDIC may perform the examination. The length of the delay, the availability of examiner resources, and whether there is sufficient time to conduct the examination will affect our ability to conduct the examination. The examinations required by federal statute that the FDIC is to perform under the alternating examination program are reported separately from the examinations that the states are to complete.

- In 1999, the number of statutory delinquencies that are past due for a required FDIC examination fell from 198 at the end of the first quarter to 9 at year-end. All nine of these institutions are scheduled for an exam in the first half of 2000. Of these nine delinquencies, five affiliated institutions

[6] Required examinations consist of not only those examinations that are required by statute, but those covered by agreements between the FDIC and state banking officials.

Annual Performance Goal 3	On-Site Safety and Soundness Examinations on FDIC-Supervised Insured Depository Institutions are Performed in Accordance With Statutory Requirements, FDIC Policy and State Agreements or as Otherwise Needed
1999 Results *(Continued)*	were carried over into 2000 until a planned merger of four banks could be completed, and to allow a bank in a bank holding company to be concurrently examined with an affiliate. The other four FDIC delinquencies occurred because the institutions' required exam dates were accelerated due to capital adequacy and financial condition concerns, in accordance with statutory requirements. • At year-end 1999, there were 98 statutory delinquencies that were past due for a required state examination. Eighty-two of these institutions are scheduled for a state or FDIC examination in the first half of 2000. Examinations of the remaining 16 institutions were not scheduled because the institutions are scheduled to merge, to convert their charter, or to relinquish their charter. In addition to completing examinations required under Federal statutory guidelines, the FDIC performs examinations under state agreements for those states with statutes requiring more frequent examinations. These examinations are also performed on an alternating basis with the states. • At year-end 1999, there were 131 institutions past due for a FDIC examination in accordance with state agreements; however, the examinations were not delinquent in accordance with Federal statutory guidelines. While the division strove to meet the statutory and state agreements' requirements, the burden on resources due to Y2K required the division to focus its efforts on curing and preventing statutory delinquencies before exams required by state agreements were performed. During 1999, approximately 18% of examination-related hours were spent on Y2K activities.
Goal Revised in 2000	The goal was revised in 2000 to more accurately reflect the indicator and target measurement. The following goal was established in the 2000 Annual Performance Plan: On-site Safety and Soundness Examinations on FDIC-Supervised Insured Depository Institutions are Initiated in Accordance with Statutory Requirements, FDIC Policy, State Agreements or as Otherwise Needed

Annual Performance Goal 4	On-Site Year 2000 Readiness Assessments are Conducted to Address Testing, Implementation and Contingency Planning for FDIC-Supervised Insured Depository Institutions and Service Providers and Software Vendors That the FDIC is Responsible for, No Later Than 03/31/99. Appropriate Follow-up Action(s) is Taken as Needed
Indicator	EFFORTS TO ENSURE YEAR 2000 READINESS AND OUTSTANDING ENFORCEMENT ACTIONS 1. PERCENTAGE OF ASSESSMENTS COMPLETED 2. PERCENTAGE OF FOLLOW UP ACTIONS TAKEN
Target	1. 100% OF ASSESSMENTS COMPLETED BY MARCH 31, 1999 2. 100% OF FOLLOW UP ACTIONS TAKEN BY MARCH 31, 1999

1999 Results

Goal completed. There were no material or adverse developments during the Year 2000 rollover period.

During the 4th quarter of 1998 and the 1st quarter of 1999, FDIC and State examiners completed Phase II on-site Y2K assessments using standard FFIEC procedures that focused on Testing, Implementation, and Contingency Planning. During the 1st quarter of 1999, FDIC and State examiners completed 4,484 assessments at insured depository institutions and 85 assessments at service providers and software vendors, resulting in Phase II assessments being completed at each insured depository institution and service provider by 03/31/99. All contacts were appropriately recorded in the Y2K Tracking System. No delinquencies in this Y2K exam goal were noted.

Throughout the second, third, and fourth quarters of 1999, follow-up Year 2000 contacts were made as required by outstanding procedures. FDIC and State examiners continued using standard FFIEC procedures to complete on- and off-site Y2K follow-up contacts as necessary. All of the follow-up contacts were appropriately recorded in the Y2K Tracking System.

During the second, third, and fourth quarters of 1999, FDIC and State examiners completed 4,257 on-site contacts at insured depository institutions and 309 on-site contacts at service providers and software vendors. Examiners made 20,508 off-site contacts with insured depository institutions and 458 off-site contacts with service providers and software vendors.

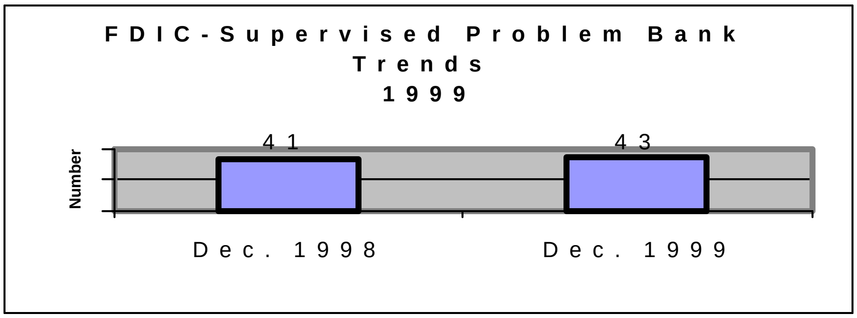
Assessment Ratings Assigned To FDIC-Supervised Depository Institutions:

Date	Satisfactory	Needs Improvement	Unsatisfactory
03/31/99	5,709 (97.3%)	144 (2.5%)	14 (0.2%)
06/30/99	5,787 (99.3%)	36 (0.6%)	6 (0.1%)
09/30/99	5,802 (99.9%)	2 (0.0%)	5 (0.1%)
12/31/99	5,759 (100%)	0 (0.0%)	0 (0.0%)

Throughout 1999, appropriate enforcement actions were taken for institutions assessed as “Needs Improvement” and “Unsatisfactory.” All institutions were subsequently upgraded to “Satisfactory” based on improvements noted. Some enforcement actions remained in place to facilitate ongoing reporting by institutions.

Annual Performance Goal 4	On-Site Year 2000 Readiness Assessments are Conducted to Address Testing, Implementation and Contingency Planning for FDIC-Supervised Insured Depository Institutions and Service Providers and Software Vendors That the FDIC is Responsible for, No Later Than 03/31/99. Appropriate Follow-up Action(s) is Taken as Needed
Goal Discontinued in 2000	The goal represented a one-time event and was accomplished as described above. However, the following goal was established in the 2000 Annual Performance Plan to monitor the rollover period: Through a Combination of On-Site Assessments and Off-Site Contacts, Monitor FDIC-Supervised Insured Depository Institutions, and Those Service Providers and Software Vendors that the FDIC is Responsible for Examining, as they Enter the New Millennium to Determine what, if any, Y2K-Related Problems they may be Experiencing. Appropriate Follow-Up Taken on all Y2K-Related Problems

Annual Performance Goal 5	The Institution Directory System is Maintained and Enhanced so That Financial Data on Insured Depository Institutions is More Easily Accessible and the use of the System, as Measured by Unique Internet Protocol Addresses and Pages Delivered, Increases
Indicator	1. NUMBER OF PAGES DELIVERED 2. NUMBER OF UNIQUE INTERNET PROTOCOL ADDRESSES
Target	AN INCREASE IN SYSTEM USE
1999 Results	Demand for banking information through the FDIC Internet increased during 1999. • The Institution Directory (ID) System delivered 2,747,616 pages to all users in 1999, representing a 37% increase over 1998. More than 90% of the ID System pages were accessed through public Internet channels. • Unique protocol addresses increased by 55% in 1999. Enhancements to the system in 1999 included the development of the Statistics on Depository Institutions (SDI) prototype, which allows individuals to create customized peer groups.
Goal Discontinued in 2000	The goal represented a one-time effort and was accomplished as described above. ID system usage will continue to be monitored at the Division level.

Annual Performance Goal 6	Appropriate Enforcement or Other Supervisory Actions are Taken to Address Problems Identified During Insured Depository Institution Examinations. FDIC-Supervised Insured Depository Institution Compliance with Formal and Informal Enforcement Actions is Monitored
Indicator	1. PROBLEM BANK LEVELS AND TRENDS 2. INTERNAL CONTROL REVIEWS
Target	1. 100% OF ACTIONS TAKEN TO ADDRESS PROBLEMS 2. NO MATERIAL EXCEPTIONS NOTED DURING INTERNAL CONTROL REVIEWS
1999 Results	 ♦ The number of problem institutions increased during the year from 41 at 12/31/98, to 43 as of 12/31/99. Thirty-one institutions were removed from problem status in 1999, mainly due to composite CAMELS rating upgrades, mergers, and consolidations, and sales. Three institutions were closed during 1999. Thirty-three problem institutions were added. ♦ Monthly status reports were reviewed to determine if examination frequency requirements were being met. No exceptions were noted. ♦ During the year, the Internal Control and Review Section conducted a review of the New York, San Francisco, Boston, Kansas City and Atlanta Regional Offices. A sample of institutions with formal and informal enforcement actions in place was taken to assess each region's implementation and follow-up procedures for corrective actions. Review findings were positive, with no significant deficiencies noted within the Regions' enforcement action programs. ♦ Problem institution reports and compliance with examination frequency standards will continue to be monitored.

Annual Performance Goal 6	Appropriate Enforcement or Other Supervisory Actions are Taken to Address Problems Identified During Insured Depository Institution Examinations. FDIC-Supervised Insured Depository Institution Compliance with Formal and Informal Enforcement Actions is Monitored
Goal Revised in 2000	The goal was revised in 2000 to stress the timeliness of supervisory actions taken to address identified problems and more accurately reflect the FDIC's role in the examination of FDIC-supervised institutions identified as problem insured depository institutions. The following goal was established in the 2000 Annual Performance Plan: Prompt Supervisory Actions are Taken to Address Problems Identified During the FDIC Examination of Institutions Identified as Problem Insured Depository Institutions. FDIC-Supervised Insured Depository Institution Compliance with Formal and Informal Enforcement Actions is Monitored

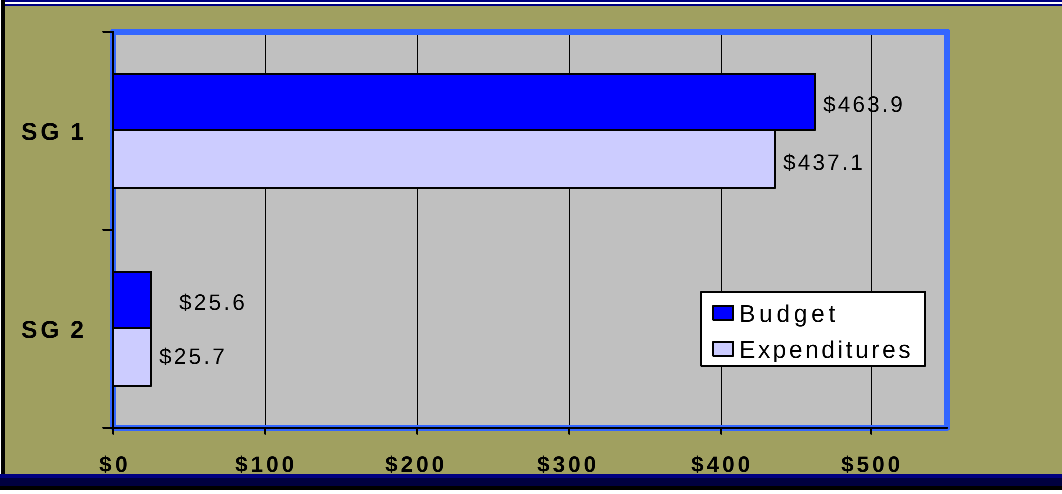
STRATEGIC GOAL DESCRIPTION

SS-SG 1 — **Insured Depository Institutions Appropriately Manage Risk, Including Risks Posed by Y2K**

SS-SG 2 — **Problem Insured Depository Institutions Are Recapitalized, Merged, Closed or Otherwise Resolved**

1999 BUDGET AND EXPENDITURE SUMMARY BY STRATEGIC GOAL[7]

($ in Millions)



STRATEGIC GOALS SHOWN WITH SUPPORTING ANNUAL PERFORMANCE GOALS

SS-SG 1

- For Insured Depository Institutions, Off-Site Reviews are Performed on all SCOR and GMS Exceptions and LIDI/BIDI Reviews are Conducted[8]; Appropriate Follow-up Course of Action if any, for Identified Supervisory Concerns is Determined
- In Concert with the Other Federal Banking Agencies and Through the Basel Committee on Banking Supervision, with the Other G-10 Countries, Change the Capital Standards to Better Match Them With Risk Exposures Brought About By Changes In the Banking Industry, Advanced Technologies and New Products
- On-Site Safety and Soundness Examinations on FDIC-Supervised Insured Depository Institutions are Performed in Accordance With Statutory Requirements, FDIC Policy and State Agreements or as Otherwise Needed
- On-Site Year 2000 Readiness Assessments are Conducted to Address Testing, Implementation and Contingency Planning for FDIC-Supervised Insured Depository Institutions and Service Providers and Software Vendors That the FDIC is Responsible for, No Later Than 03/31/99. Appropriate Follow-up Action(s) is Taken as Needed
- The Institution Directory System is Maintained and Enhanced so That Financial Data on Insured Depository Institutions is More Easily Accessible and the use of the System, as Measured by Unique Internet Protocol Addresses and Pages Delivered, Increases

SS-SG 2

- Appropriate Enforcement or Other Supervisory Actions are Taken to Address Problems Identified During Insured Depository Institution Examinations. FDIC-Supervised Insured Depository Institution Compliance with Formal and Informal Enforcement Actions is Monitored

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[7] Includes direct and indirect costs of FDIC business processes, which are associated with Strategic Goals. Activities associated with the accomplishment of Annual Performance Goals are a component part of these business processes.

[8] See Glossary for definitions of SCOR, GMS, LIDI and BIDI.

SUPERVISION PROGRAM: CONSUMER RIGHTS

The FDIC engages in a variety of activities related to consumer protection and fair lending. The FDIC: 1) provides consumers with access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws and 2) examines FDIC-supervised insured depository institutions to determine their compliance with consumer and fair lending laws, including the Community Reinvestment Act of 1977 (CRA).

The FDIC provides information about consumer protection, fair lending, and deposit insurance to help consumers understand their rights. Insured depository institutions are provided with updated information regarding consumer laws and regulations to help them better understand and comply with the laws.

The FDIC also conducts outreach activities for community groups and insured depository institutions in order to promote community lending. Through community outreach efforts and technical assistance, the FDIC encourages lenders to work with members of their local communities in meeting the communities' credit needs.

The compliance examination process determines FDIC-supervised insured depository institution compliance with consumer protection, CRA and fair lending laws and regulations. In addition to the examination process, the FDIC investigates consumer complaints of unfair or deceptive practices by insured depository institutions. Non-compliance with consumer laws can result in civil liability and negative publicity as well as formal or informal actions by the FDIC to correct the identified violations.

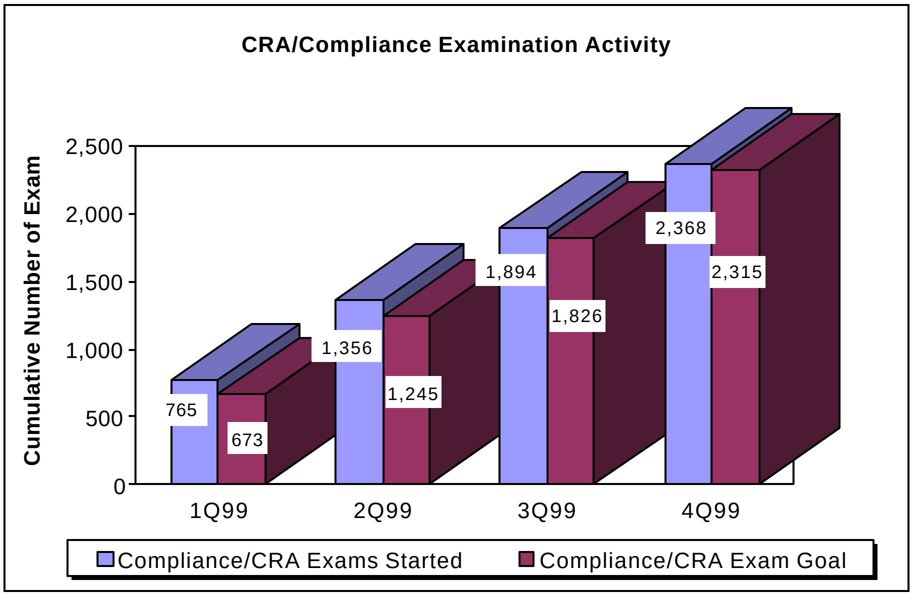
An institution's compliance with consumer protection, CRA, and fair lending laws is considered in any institution's application for entry or expansion within the insured depository institution industry.

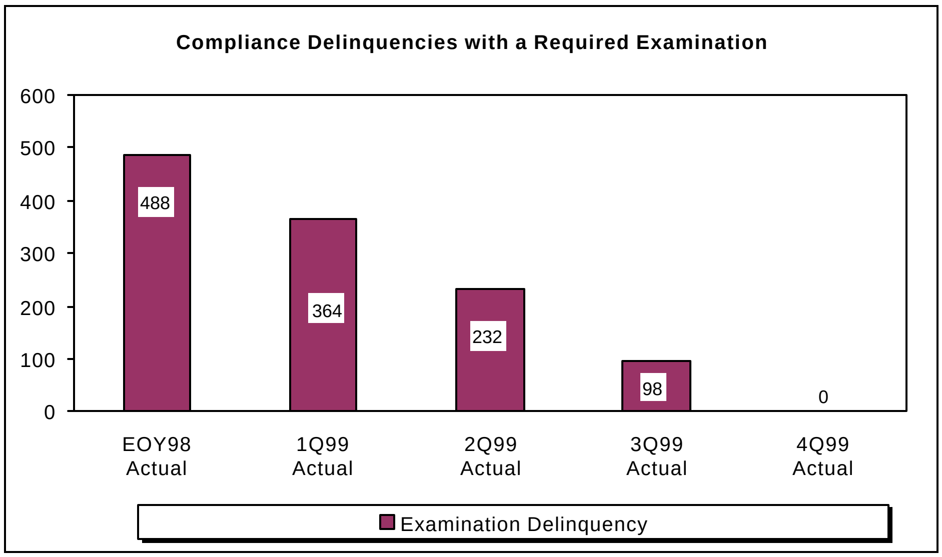
Annual Performance Goal 1	Conduct a Pilot Survey in the DCA Washington Office to Determine Whether Consumers Who Have Received Written Responses From the FDIC Regarding Their Complaints and Inquiries are Satisfied[9]
Indicator	CONSUMER SATISFACTION SURVEY CONDUCTED TO SET BASELINE
Target	DECEMBER 31, 1999
1999 Results	The FDIC did not fully achieve this Annual Performance Goal. A pilot customer satisfaction survey was conducted, however, baseline data were not established due to a low response rate. Survey cards were enclosed on a random basis in mail responses to consumer inquiries and other requests for information from FDIC's Division of Compliance and Consumer Affairs' Washington Office during 1999. The survey card asked consumers to rate their satisfaction with the information and the timeliness of the responses they received. The FDIC did not use the responses to develop baseline data because the data were gathered in an uncontrolled environment and the number of responses was small. While 70% of those who returned a survey card said FDIC's response was excellent, only 209 survey cards were returned. As a result, FDIC did not have sufficient data to measure consumer satisfaction or establish a baseline against which to evaluate future years. However, the performance results had no effect on overall program or activity performance.
Goal Discontinued in 2000	The assessment of data gathered from survey responses will not be used as a corporate Annual Performance Goal for 2000. The FDIC has established new indicators and targets to measure consumer satisfaction in 2000 at the Corporate level. The timeliness and quality of responses were identified as the key determinants of consumer satisfaction. Therefore, the following goal was established in 2000 to evaluate the effectiveness of FDIC's responsiveness to consumer complaints and inquiries: Effectively respond to written and telephone complaints and inquiries related to deposit insurance and consumer protection laws within specified timeframes. Several indicators will be used to measure whether written and telephone responses are deemed timely and the quality of written responses will be assessed during internal control/quality assurance reviews.

[9] This annual performance goal was revised from the goal published in the 1999 Annual Performance Plan to better define the goal for 1999. The published goal stated: Data is Gathered to Determine Whether Those Consumers Who Have Received Responses from the FDIC Regarding Their Complaints and Inquiries Are Satisfied and Understand Their Rights

Annual Performance Goal 2	Develop a Methodology for Measuring What Changes in Community Development Have Resulted From FDIC Outreach Efforts[10]
Indicator	METHOD FOR MEASURING CHANGES IN COMMUNITY DEVELOPMENT ACTIVITIES IS IN PLACE
Target	DECEMBER 31, 1999
1999 Results	During 1999, FDIC developed a methodology for identifying and measuring intermediate goals and outcomes in community development activities. The three-tiered measurement approach (methodology) for the Community Affairs Program (CAP) places Goals as the top tier, Strategies as the second tier and Activities as the third tier of performance measurement. • Goals are defined as Community Development Loans, Investments, and Services. • Strategies are defined as major programs that the CAP pursues to achieve the Goal. The major programs include facilitating the creation of a micro-enterprise loan fund, or a mortgage lending consortia, or even performing a needs assessment of a targeted community. • Activities are defined as the individual actions or operating mechanisms that execute the strategies. Activities may be actions such as bringing together key players in a community to meet to develop a plan of action, or providing technical assistance to the group on how to structure a micro-loan fund. To perform a needs assessment, one activity may be meeting with the public and private sectors separately to determine perceived need or barriers to credit for a segment of the community. The FDIC focused its resources on bank compliance with the Community Reinvestment Act and fair lending laws. As part of its community development outreach efforts, the FDIC conducted 45 speaking engagements that were attended by 4,247 participants; 48 training activities that were attended by 2,092 participants; and 164 conferences/meetings/focus groups that were attended by 7,819 participants. These activities were conducted to promote partnerships between financial institutions, local and federal government agencies, and community organizations to facilitate community development.
Goal Discontinued in 2000	This goal was a one-time event and was accomplished as described above. The methodology developed requires the Community Affairs Officers in 2000 to submit quarterly progress reports that describe the goals, objectives, and status of major initiatives.

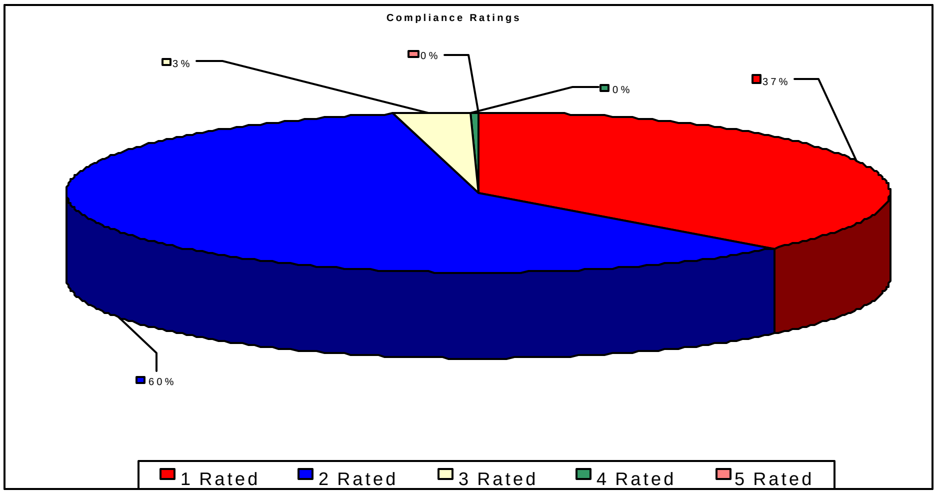
[10] This annual performance goal was revised from the goal published in the 1999 Annual Performance Plan to better reflect planned initiatives in 1999. The published goal stated: Data is Gathered to Determine What Changes in Community Development Activities and New Banking Relationships Result from FDIC Outreach Efforts.

Annual Performance Goal 3	On-Site CRA, Consumer Protection, and Fair Lending Law Compliance Examinations of FDIC-Supervised Insured Depository Institutions are Conducted Per Board Policy; Changes in Compliance Ratings of FDIC-Supervised Insured Depository Institutions are Monitored
Indicator 1	PERCENT OF PROJECTED EXAMINATIONS STARTED
Target	100% OF PROJECTED EXAMINATIONS STARTED
1999 Results	 The FDIC started 2,368 compliance and CRA examinations as of the end of 1999; two percent more than the goal of starting 2,315 examinations. A temporary reduction in examiner training provided sufficient examination hours to slightly exceed the established target. There was no effect on overall program or activity performance.

Annual Performance Goal 3	On-Site CRA, Consumer Protection, and Fair Lending Law Compliance Examinations of FDIC-Supervised Insured Depository Institutions are Conducted Per Board Policy; Changes in Compliance Ratings of FDIC-Supervised Insured Depository Institutions are Monitored
Indicator 2	TREND IN DELINQUENCIES FOR FDIC-SUPERVISED INSTITUTIONS
Target	ZERO DELINQUENCIES BY DECEMBER 31, 1999
1999 Results	 As of the end of 1999, there were no FDIC-supervised institutions in which a recent examination had not been conducted within the established guidelines. However, examinations of 37 institutions have been delayed in order to have a scheduled compliance examination concurrent with safety and soundness examinations by FDIC or state authorities, or because the institution is scheduled to merge or change its charter.

Annual Performance Goal 3	On-Site CRA, Consumer Protection, and Fair Lending Law Compliance Examinations of FDIC-Supervised Insured Depository Institutions are Conducted Per Board Policy; Changes in Compliance Ratings of FDIC-Supervised Insured Depository Institutions are Monitored
Indicator 3	CHANGES IN COMPLIANCE EXAMINATION RATINGS
Target	ONGOING

1999 Results



Compliance Ratings Summary

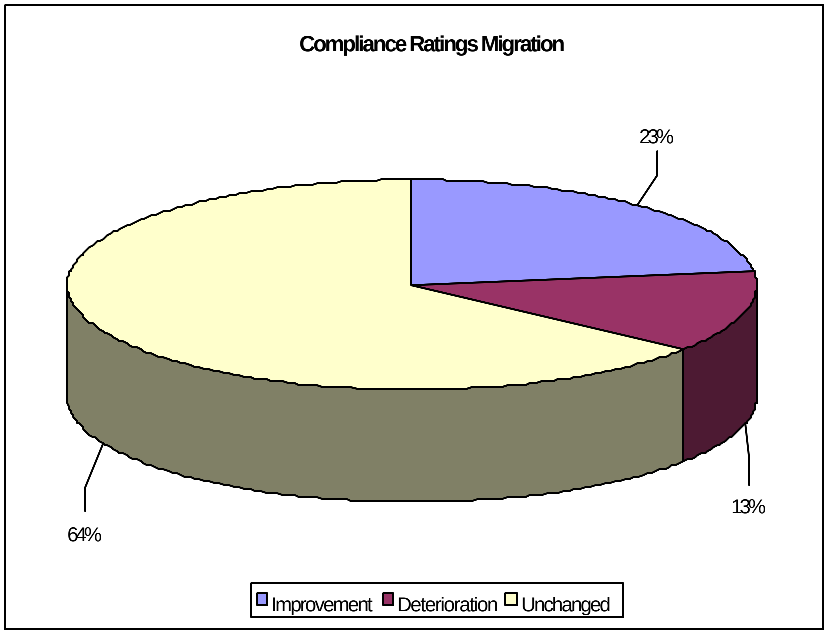
Number of Institutions

Rating	1Q99	2Q99	3Q99	4Q99
1 Rated	1,928	1,965	1,989	2,028
2 Rated	3,422	3,350	3,279	3,236
3 Rated	190	176	188	177
4 Rated	7	5	7	9
5 Rated	0	0	0	0
Not Rated	318	335	336	318
Total	5,865	5,831	5,799	5,768

Note: Ratings for compliance range from one through five, with one being the most favorable rating.

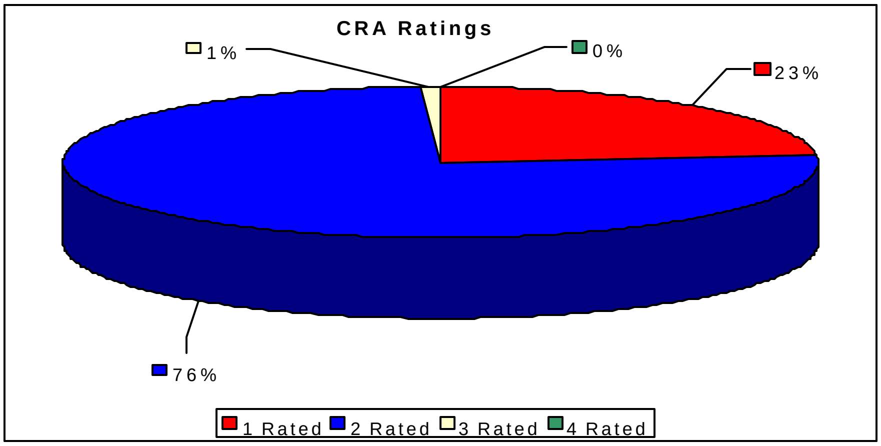
- As of the end of 1999, 97% of FDIC-supervised institutions were rated satisfactory or better (1 or 2 rated). Also at the end of the 1999, 177 institutions were rated “3” and 9 institutions were rated “4”. No institutions were rated “5”. There were no significant changes in compliance ratings of FDIC-supervised institutions during 1999.

- Ratings were nearly constant during 1999. This is an indication that consumers’ rights are being protected, as most financial institutions are rated satisfactory or better for compliance with consumer protection and fair lending laws.

Annual Performance Goal 3	On-Site CRA, Consumer Protection, and Fair Lending Law Compliance Examinations of FDIC-Supervised Insured Depository Institutions are Conducted Per Board Policy; Changes in Compliance Ratings of FDIC-Supervised Insured Depository Institutions are Monitored
Indicator 3 *(Continued))*	CHANGES IN COMPLIANCE EXAMINATION RATINGS
1999 Results	 Twenty-three percent of financial institutions examined for compliance during 1999 reflect improvement from their previous rating and 13% reflect rating deterioration.

Annual Performance Goal 3	On-Site CRA, Consumer Protection, and Fair Lending Law Compliance Examinations of FDIC-Supervised Insured Depository Institutions are Conducted Per Board Policy; Changes in Compliance Ratings of FDIC-Supervised Insured Depository Institutions are Monitored
Indicator 4	CHANGES IN CRA EXAMINATION RATINGS
Target	ONGOING

1999 Results

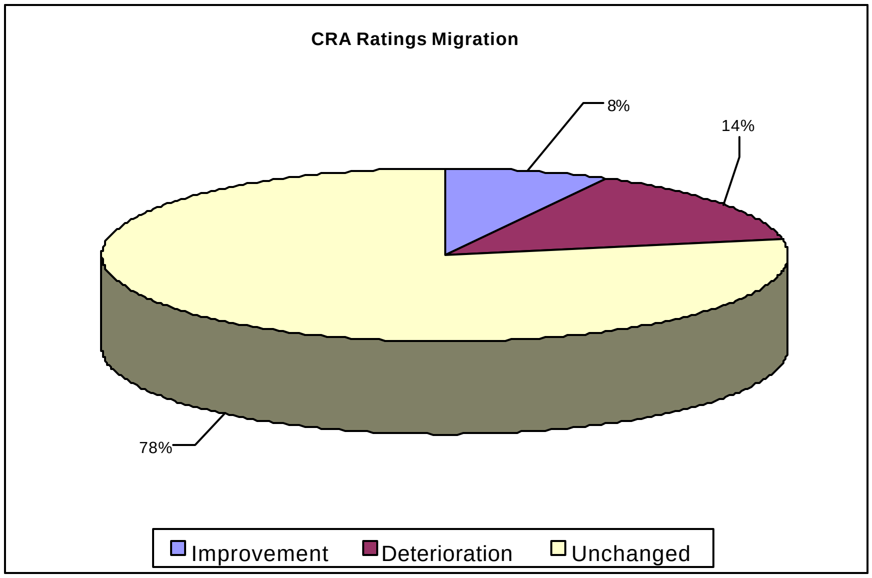


CRA Ratings Summary				
Number of Institutions				
Rating*	1Q99	2Q99	3Q99	4Q99
1 Rated	1,407	1,362	1,314	1,273
2 Rated	4,081	4,078	4,091	4,120
3 Rated	41	38	41	40
4 Rated	3	5	5	5
Not Rated	333	348	345	327
Total	**5,865**	**5,831**	**5,796**	**5,765**

* Rating Category:
1 Outstanding
2 Satisfactory
3 Needs to Improve
4 Substantial Noncompliance

- As of the end of 1999, 99% of FDIC-supervised institutions were rated satisfactory or better for CRA. Also at the end of the year, 40 institutions were rated Needs to Improve and 5 institutions were rated Substantial Noncompliance. There were no significant changes in CRA ratings of FDIC-supervised institutions during 1999.

- Ratings were nearly constant during 1999. This is an indication that consumers' rights are being protected, as most financial institutions are rated satisfactory or better for compliance with the CRA.

Annual Performance Goal 3	On-Site CRA, Consumer Protection, and Fair Lending Law Compliance Examinations of FDIC-Supervised Insured Depository Institutions are Conducted Per Board Policy; Changes in Compliance Ratings of FDIC-Supervised Insured Depository Institutions are Monitored
Indicator 4 *(Continued)*	CHANGES IN CRA EXAMINATION RATINGS
1999 Results	 Eight percent of financial institutions examined for CRA during 1999 reflect improvement from the previous rating and 14% reflect rating deterioration.
Goal Revised in 2000	The goal language for 2000 was simplified. The following goal was established in the 2000 Annual Performance Plan: Compliance and CRA Examinations are Initiated in Accordance With FDIC Policy

Annual Performance Goal 4	Uniform Guidance is Developed and Disseminated to Insured Depository Institutions Regarding Electronic Banking to Include Emerging Consumer Protection, Fair Lending and CRA Matters
Indicator	Uniform Electronic Banking Guidance is Developed and Disseminated
Target	DECEMBER 31, 1999
1999 Results	• Consumer Privacy: The federal financial institution regulatory agencies conducted a survey of the Internet privacy policies of insured depository institutions. The agencies published the results of the survey in November 1999. The FDIC issued to FDIC-supervised institutions a financial institution letter that highlighted the survey results and provided guidance regarding effective privacy policies. The federal financial institutions regulatory agencies, in cooperation with the United States Treasury Department, the Securities and Exchange Commission, and the Federal Trade Commission, formed a task force to draft a new regulation to implement Title V (Privacy) of the Gramm-Leach-Bliley Act. • CRA Ratings Search Database: The CRA Ratings Search Database was installed on the Federal Financial Institutions Examination Council (FFIEC) Internet web site. The web site is one of the most accessed sites on the FFIEC web site. • CRA and the Use of Alternative Delivery Systems: Many retail financial institutions increasingly are using alternative delivery systems to expand business beyond local communities which have been the customary “assessment areas” used for an evaluation of CRA performance. The federal financial institution regulatory agencies provided guidance on this matter for some affected institutions in an interagency CRA Questions and Answers issued in May 1999. Additionally, an interagency CRA group worked on drafting proposed revisions to the CRA regulation addressing non-branch-based institutions, including Internet banking operations.
Goal Discontinued in 2000	The goal represented a one-time event and was accomplished as described above.

Annual Performance Goal 5	Corrective Actions are Taken, if Appropriate, to Address Problems Identified During Compliance Examinations; Compliance With Those Actions is Monitored
Indicator	ENFORCEMENT ACTIONS TAKEN TO ADDRESS PROBLEMS
Target	DECEMBER 31, 1999

1999 Results

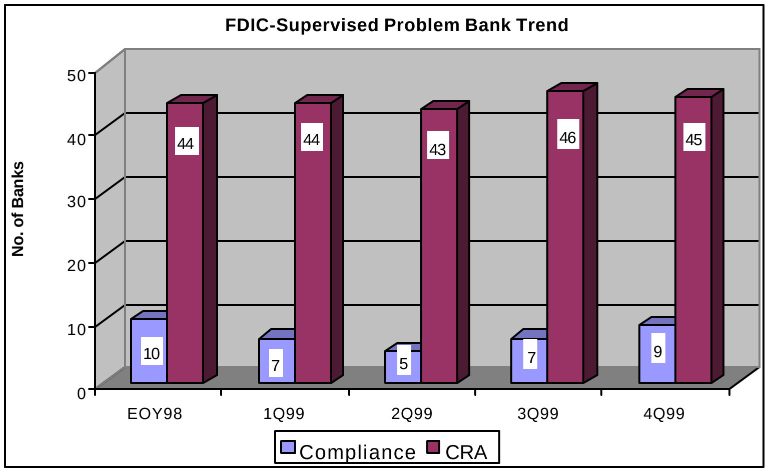
Enforcement Actions by Type

Type of Action	1Q99	2Q99	3Q99	4Q99	CY99
Board Resolution	13	14	17	12	56
Memorandum of Understanding	6	5	5	10	26
Civil Money Penalty	3	4	4	2	13
8(b) Cease & Desist Order	0	1	1	0	2
Total	**22**	**24**	**27**	**24**	**97**

- Through the end of the fourth quarter, the FDIC issued 56 Board Resolutions, 26 Memorandums of Understanding, 13 Civil Money Penalties, and 2 Cease & Desist Orders {8(b)}.

- During 1999, the FDIC terminated 84 informal enforcement actions. 50 Board Resolutions were in place an average of 24 months and 34 Memorandums of Understanding were in place an average of 31 months. Of the 84 terminated, 63 informal enforcement actions were terminated at the next scheduled examination (or visitation), of which 56 were also assigned an improved composite compliance rating. Eight enforcement actions were removed due to bank mergers or the termination of deposit insurance.

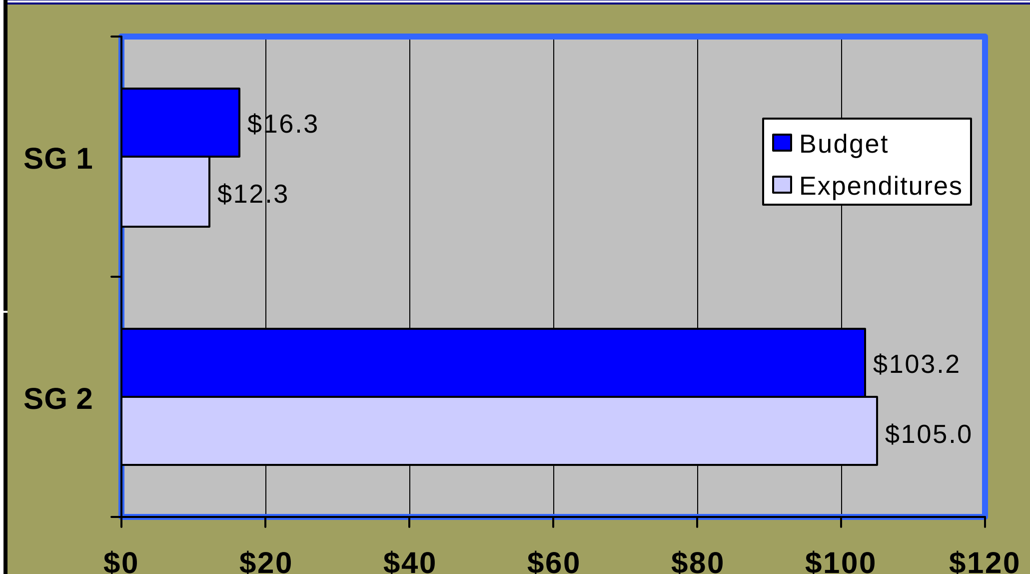
- As of December 31, 1999, 185 enforcement actions were in place, of which 97 were issued during 1999 and 88 were issued in prior years.

Annual Performance Goal 5	Corrective Actions are Taken, if Appropriate, to Address Problems Identified During Compliance Examinations; Compliance With Those Actions is Monitored
1999 Results *(Continued)*	 • As of December 31, 1999, all nine institutions rated "4" for compliance have enforcement actions in place. There were no "5"-rated institutions at year-end. • The Department of Justice has opined that CRA is not enforceable through agency formal enforcement actions; therefore, formal enforcement actions are not pursued to correct CRA deficiencies. However, voluntary non-binding commitments by banks' directorates addressing CRA deficiencies are sometimes evidenced in Board Resolutions and Memorandums of Understanding.
Goal Revised in 2000	This goal has been revised to focus on FDIC-supervised problem banks (those rated 4 and 5 for compliance). The following goal was established in the 2000 Annual Performance Plan: Prompt Supervisory Actions are Taken on all Institutions Rated 4 and 5 for Compliance to Address Problems Identified During Compliance Examinations; Compliance with Those Actions is Monitored.

STRATEGIC GOAL DESCRIPTION	
CR-SG 1	**Consumers Have Access to Easily Understood Information About Their Rights and the Disclosures Due Them Under Consumer Protection and Fair Lending Laws**
CR-SG 2	**FDIC-Supervised Financial Institutions Comply With Consumer Protection, CRA, and Fair Lending Laws**

1999 BUDGET AND EXPENDITURE SUMMARY BY STRATEGIC GOAL[11]

($ in Millions)



STRATEGIC GOALS SHOWN WITH SUPPORTING ANNUAL PERFORMANCE GOALS

CR-SG 1	• Conduct a Pilot Survey in the DCA Washington Office to Determine Whether Consumers Who Have Received Written Responses From the FDIC Regarding Their Complaints and Inquiries are Satisfied • Develop a Methodology for Measuring What Changes in Community Development Have Resulted From FDIC Outreach Efforts
CR-SG 2	• On-Site CRA, Consumer Protection, and Fair Lending Law Compliance Examinations of FDIC-Supervised Insured Depository Institutions are Conducted Per Board Policy; Changes in Compliance Ratings of FDIC-Supervised Insured Depository Institutions are Monitored • Uniform Guidance is Developed and Disseminated to Insured Depository Institutions Regarding Electronic Banking to Include Emerging Consumer Protection, Fair Lending and CRA Matters • Corrective Actions are Taken, if Appropriate, to Address Problems Identified During Compliance Examinations; Compliance With Those Actions is Monitored

[11] Includes direct and indirect costs of FDIC business processes, which are associated with Strategic Goals. Activities associated with the accomplishment of Annual Performance Goals are a component part of these business processes.

RECEIVERSHIP MANAGEMENT PROGRAM

The Receivership Management Program is designed to ensure that the claims of creditors are satisfied consistent with applicable law and the resources of individual receivership estates.

The FDIC resolves failing insured institutions in the least costly manner. The FDIC is proactive in identifying troubled insured depository institutions and begins its resolution efforts, such as valuing assets and identifying potential purchasers of these institutions, before the institutions fail. At failure the FDIC is appointed receiver and succeeds to the rights, powers, and privileges of the insured depository institution and its stockholders, officers and directors.

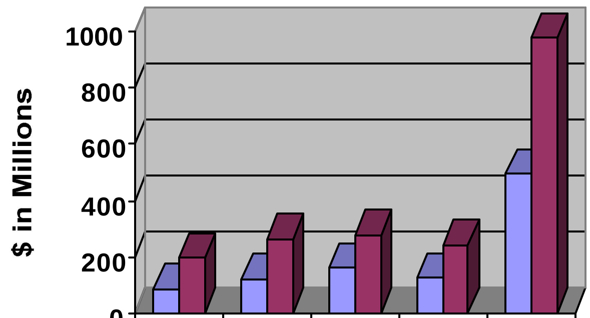
Once the FDIC is appointed as receiver for any insured depository institution, the FDIC assumes the responsibility to marshal the institution's assets for the benefit of the creditors. Typically, after fulfilling its obligation as deposit insurer, the FDIC is the largest creditor. The receiver manages and sells assets through a variety of strategies and identifies and collects monies due the receivership estate. In addition, the receiver pays the obligations of the failed institution with the funds it recovers.

Annual Performance Goal 1	An Analysis is Completed of Possible Tools Used to Validate Valuation Assumptions Employed in the Asset Valuation Review Process, the Least-Cost Test and in the Design of Resolution Structures
Indicator	ANALYSIS COMPLETED
Target	DECEMBER 31, 1999
1999 Results	This goal was achieved. The FDIC was able to establish validation tools, which included a Least-Cost Test Policy Board, a Standard Asset Value Estimation (SAVE) Methodology Board, a National Assumptions Reference Library, Receivership Overhead Methodology, and asset-level performance measurements. The Least-Cost Test Policy Board met and established a mission and objectives. The Standard Asset Value Estimation Methodology Board met and jurisdiction for the group was established. Current valuation information is available to appropriate FDIC users from the National Assumptions Reference Library via the FDIC Intranet. The completion of this goal will provide continuous assurance as to the validity of the assumptions and valuation methodology used in the resolution of failed institutions. This will assist the FDIC as it continues to resolve failed financial institutions in the least costly manner. Establishment of the Least-Cost Test Policy Board, the SAVE Methodology Board and the National Assumptions Reference Library will allow these and related groups to share information and analysis pertinent to the valuation function. This resolves a deficiency cited in the FDIC OIG Audit Report on the Least-Cost Test.
Goal Discontinued in 2000	This was a one-time goal and was accomplished as described above.

Annual Performance Goal 2	Achieve $493 Million in Cash Collections[12]
Indicator	CASH COLLECTIONS
Target	$493 MILLION

1999 Results

1999 Cash Collections



	1st	2nd	3rd	4th	Total
Goal	84	123	161	125	493
Actual	195	263	279	243	980

- The actual collections are nearly twice the goal of $493 million. The goal was exceeded significantly because of the following factors:
  - a greater number of failures than anticipated, resulting in increased asset inventories that were then sold;
  - a strong economic environment, which resulted in higher than expected recoveries; and
  - greater collections from professional liability cases than anticipated.

- Due to the factors described above, actual collections were nearly double the target; however, there was no significant impact on the overall program area.

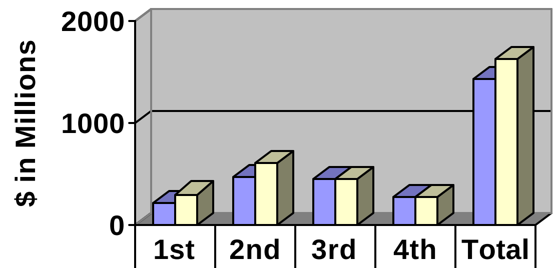
[12] This annual performance goal was revised from the goal published in the 1999 Annual Performance Plan to reflect the actual 1998 year-end results. The original goal, $549 million in cash collections, was based upon an estimate of 1998 performance.

Annual Performance Goal 2	Achieve $493 Million in Cash Collections
Goal Discontinued in 2000	As the volume of assets managed by the FDIC has continued to rapidly decrease, the FDIC has shifted its focus for the Year 2000 toward reducing the number of active receiverships and quickly returning the assets of any future failed institutions to the private sector. As a result, new goals have been established that set benchmarks for the termination of receiverships and the volume of assets that will be immediately marketed at each failed institution. A collections goal will however remain as a division-level goal. The following goals were established in the 2000 Annual Performance Plan: • Achieve a 35% Reduction in the Number of Active Receiverships in 2000 • Market 80% of a Failed Institution's Assets to Franchise and Non-Franchise Investors Within 90 Days of Resolution

Annual Performance Goal 3	Achieve $1.425 Billion in Book Value Reductions[13]
Indicator	BOOK VALUE REDUCTIONS
Target	$1.425 BILLION

1999 Results

Book Value Reductions



	1st	2nd	3rd	4th	Total
Goal	217	477	458	273	1425
Actual	304	615	443	271	1633

- The FDIC exceeded its goal of $1,425 million by $208 million, or approximately 15%.

- The FDIC was able to exceed its goal because of the following factors:
  - a greater number of failures than anticipated, resulting in increased asset inventories that were then sold;
  - a strong economic environment, which was conducive to the disposition of assets from failed institutions; and
  - the increased use of technology in our marketing efforts, which expanded the marketing base of potential buyers.

[13] This annual performance goal was revised from the goal published in the 1999 Annual Performance Plan to reflect the actual 1998 year-end balances and more aggressive asset disposition strategies. The original goal, $642 million in book value reductions, was based upon an estimate of the 1998 year-end balance and less aggressive disposition strategies.

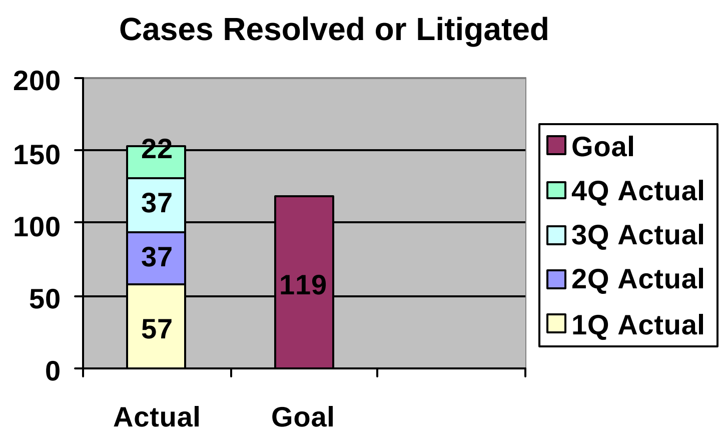
Annual Performance Goal 3	Achieve $1.425 Billion in Book Value Reductions
Goal Discontinued in 2000	As the volume of assets managed by the FDIC has continued to rapidly decrease, the FDIC has shifted its focus for the Year 2000 toward reducing the number of active receiverships and quickly returning the assets of any future failed institutions to the private sector. As a result, new goals have been established that set benchmarks for the termination of receiverships and the volume of assets that will be immediately marketed at each failed institution. A book value reduction goal will however remain as a division-level goal. The following goals were established in the 2000 Annual Performance Plan: • Achieve a 35% Reduction in the Number of Active Receiverships in 2000 • Market 80% of a Failed Institution's Assets to Franchise and Non-Franchise Investors Within 90 Days of Resolution

Annual Performance Goal 4	The Real Estate Tax Appeal Process is Monitored and the Recovery of Previous Payments of Real Estate Tax Penalties Related to FDIC-Owned Real Estate is Pursued Where Appropriate
Indicator	CORRECTION OF A MATERIAL WEAKNESS
Target	DROPPED AS A MATERIAL WEAKNESS
1999 Results	Goal was completed. The FDIC established a process for monitoring real estate tax appeals and the pursuit of recoveries is underway where appropriate. As a result, the property tax issue was dropped as a material weakness in the 1998 Chief Financial Officer's Act (CFOA) Report submitted to Congress in June 1999.
Goal Discontinued in 2000	This was a one-time goal and was accomplished as described above.

Annual Performance Goal 5	Investigations are Conducted Into all Potential Professional Liability Claim Areas in all Failed Insured Depository Institutions and a Decision to Close or Pursue Each Claim Will be Made Within 18 Months After the Failure Date in 80% of all Investigations[14]
Indicator	PERCENT OF CLAIMS DECIDED WITHIN 18 MONTHS
Target	80%
1999 Results	Performance goal has been met. For each failure, eleven potential claim areas are investigated. • One institution failed in 1997, and decisions were made in 91% of the investigation claim areas within the 18-month goal. • Three institutions failed in 1998, and decisions were made in more than 80% of the investigation claim areas within the 18-month goal. • Eight institutions failed in 1999; decisions have been made with regard to 25% of the investigative areas. We anticipate that decisions will be made in at least 80% of the investigations within 18 months of the failure date of these eight institutions.

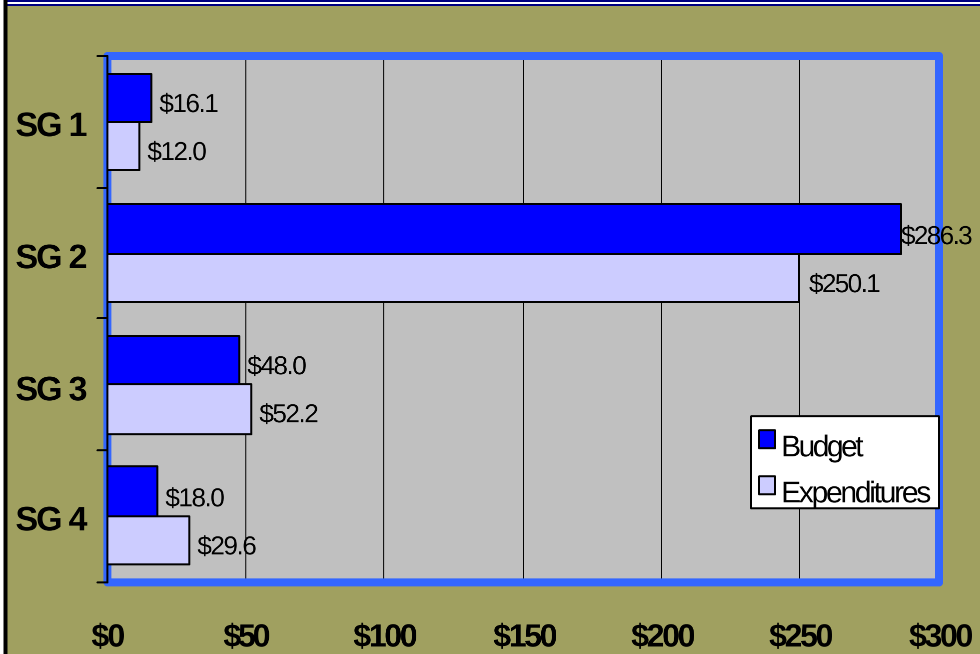
[14] This annual performance goal was revised from the goal published in the 1999 Annual Performance Plan. The word "investigations" replaces the last occurrence of "institutions" to more accurately capture the FDIC's workload. The original goal stated "in 80% of all *Institutions*."

Annual Performance Goal 6	No Delays in Moving Pending Claims Court Goodwill Cases to Trial are FDIC Necessitated, and None are FDIC Initiated Unless the FDIC Concludes That it is Reasonable to Expect That the Case can be Resolved at a Substantially Lower Cost to the FDIC if its Trial is Delayed
Indicator	FDIC-INITIATED DELAYS
Target	ZERO DELAYS
1999 Results	• There have been no delays in moving pending Claims Court Goodwill cases to trial that were FDIC necessitated. • The FDIC requested and the Court granted discovery extensions in the First 30 cases (the “First 30”). We anticipate that this will not ultimately cause a net delay in the trial dates. Furthermore, we believe that these extensions will improve the cost effectiveness of those cases. The Court has on its own motion delayed the trial dates for six of the FDIC’s Priority Cases by periods of several months • The FDIC also proposed a delay of several months in the start of discovery in the wave of cases that come next (the “Second 30”). Although the Court did not adopt the FDIC’s position, the Court delayed the start of discovery by one month for these cases. Given the Court’s available trial time, the Legal Division does not believe that this delay in the outset of “Second 30” discovery would delay the trials of those cases.
Goal Discontinued in 2000	This goal will continue to be monitored at the division level.

Annual Performance Goal 7	Fifty Percent (50%) of the Non-Asset Defensive Litigation Cases in Inventory as of 01/01/99 are Resolved Through Negotiated Settlement or Completed Litigation
Indicator	NUMBER OF NON-ASSET DEFENSIVE LITIGATION CASES RESOLVED
Target	50% OF 01/01/99 INVENTORY BALANCE
1999 Results	 • Exceeded the goal by approximately 29%. The FDIC was able to resolve 153 Non-Asset Defensive Litigation Cases, which is approximately 64% of the beginning inventory of 238. • This achievement is a reflection of increased emphasis on managing and resolving the affairs of individual receiverships in an expeditious manner consistent with FDIC's statutory obligations.

Strategic Goal	Strategic Goal Description
RM-SG 1	Failing Insured Depository Institutions Are Resolved in the Least-Costly Manner in Accordance With Law
RM-SG 2	Receivership Assets Are Managed and Marketed to Maximize Net Return
RM-SG 3	Professional Liability and Other Claims of the Receivership are Pursued in a Fair and Cost Effective Manner
RM-SG 4	Receivership Claims and Other Liabilities are Resolved in a Fair and Cost-Effective Manner

1999 BUDGET AND EXPENDITURE SUMMARY BY STRATEGIC GOAL[15]
($ in Millions)



STRATEGIC GOALS SHOWN WITH SUPPORTING ANNUAL PERFORMANCE GOALS

Strategic Goal	Annual Performance Goals
RM-SG 1	• An Analysis is Completed of Possible Tools Used to Validate Valuation Assumptions Employed in the AVR Process, the Least-Cost Test and in the Design of Resolution Structures
RM-SG 2	• Achieve $493 Million in Cash Collections • Achieve $1.425 Billion in Book Value Reductions • The Real Estate Tax Appeal Process is Monitored and the Recovery of Previous Payments of Real Estate Tax Penalties Related to FDIC-Owned Real Estate is Pursued Where Appropriate
RM-SG 3	• Investigations are Conducted Into all Potential Professional Liability Claim Areas in all Failed Insured Depository Institutions and a Decision to Close or Pursue Each Claim Will be Made Within 18 Months After the Failure Date in 80% of all Investigations • No Delays in Moving Pending Claims Court Goodwill Cases to Trial are FDIC Necessitated, and None are FDIC Initiated Unless the FDIC Concludes That it is Reasonable to Expect That the Case can be Resolved at a Substantially Lower Cost to the FDIC if its Trial is Delayed
RM-SG 4	• Fifty Percent (50%) of the Non-Asset Defensive Litigation Cases in Inventory as of 01/01/99 are Resolved Through Negotiated Settlement or Completed Litigation

[15] Includes direct and indirect costs of FDIC business processes, which are associated with Strategic Goals. Activities associated with the accomplishment of Annual Performance Goals are a component part of these business processes.

MANAGEMENT OF STRATEGIC RESOURCES

A number of key resources are essential to the achievement of the FDIC's mission. The FDIC has established as its *basic operating principle* that it will effectively manage these critical resources in order to accomplish the annual performance goals set forth in the Plan. To that end, the FDIC will pursue the following over the next year:

- Maintain and disseminate reliable information;
- Utilize information technology to support the Corporation's strategic direction and annual performance objectives;
- Maintain a professional, efficient and highly skilled workforce;
- Maintain a strong program of internal controls and risk management.

The strategic result to be realized from effective management of these strategic resources will be that Corporate resources are effectively managed.

Annual Performance Goal 1	Recommendations for Addressing Identified Gaps in Information are Developed
Indicator	RECOMMENDATIONS DEVELOPED
Target	DECEMBER 31, 1999
1999 Results	In December 1999, recommendations were made to the FDIC's senior management for filling identified formation gaps. In some instances, the recommendations for the acquisition and implementation of needed information already have been accomplished or are underway. In other instances, the banking agencies are considering adding items to the Call Report that would meet needs identified, and any further action by the FDIC is dependent on the outcome of these deliberations during the first quarter of 2000. BACKGROUND: In 1998, the FDIC identified information gaps in seven different areas relating to off-site analysis: industry lending concentrations, geographic lending concentrations, nonbank affiliates, corporate ownership of depository institutions, interaffiliate transactions, market share measures, and other miscellaneous items.
Goal Discontinued in 2000	The goal represented a one-time effort and was accomplished as described above.

Annual Performance Goal 2	Economic Analysis is Conducted of and Reports are Produced on Major Public Policy Issues (e.g., Financial Modernization, Globalization) Facing the Corporation and the Industry[16]
Indicator	REPORTS PUBLISHED
Target	DECEMBER 31, 1999
1999 Results	A number of studies and analyses were completed during 1999: *FDIC Banking Review*. The *FDIC Banking Review* is a financial journal published quarterly addressing policy issues affecting the financial services industry. Articles published in 1999 included: • Examining Whether the Federal Safety Net Endows Insured Depository Institutions with a Financial Subsidy • Examining the Historical Pattern of First-day Price Appreciation for Newly Issued Stock • Examining the Current State of the Deposit Insurance Debate • Special Purpose Lending Conduits and the Risks They Represent • Value-at-risk Models and Their Usefulness in Establishing Capital Standards • Consequences of National Depositor Preference Working Paper Series • A History of Proposals to Change the Glass-Steagall and Bank Holding Company Act • Simplifying Capital Standards for Non-Complex Banks • Single Family Mortgage Defaults Paper Presented at the Basel Committee Workshop on Empirical Research • Effects of Formal Enforcement Actions on the Behavior of Problem Banks • Small Business Credit Markets: Bank Consolidation and Geographic Credit Allocation Other Papers • Optimal Deposit Insurance Premium and Capital Requirements Structure These publications are available to the public by accessing the FDIC's external Web site (www.FDIC.gov.) or contacting the FDIC's Public Information Center located at 801 17th Street, N.W., Washington, D.C., (202) 416-6940.

[16] This annual performance goal was revised from the goal published in the 1999 Annual Performance Plan. The word "globalization" was added to this annual performance goal to more clearly identify public policy issues facing the Corporation.

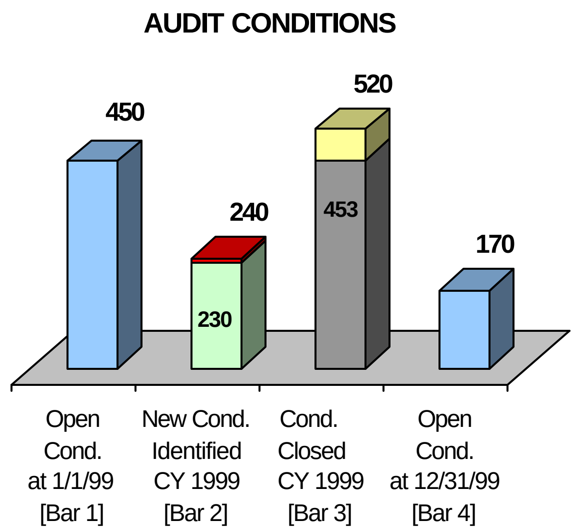
Annual Performance Goal 3	Year 2000 Validation and Implementation of Internal Computer Application Systems is Completed by 03/31/99
Indicator	PERCENT OF INTERNAL SYSTEMS THAT HAVE BEEN Y2K VALIDATED AND THEN IMPLEMENTED
Target	100%
1999 Results	With the exception of four non-mission critical systems, which were completed by April 30, 1999, this goal was met on schedule. As a result, the FDIC did not experience any service disruptions during the Year 2000 rollover period. To achieve this goal, the following steps were taken: • During the Validation phase, which was completed on January 31, 1999, all existing production applications were tested for Year 2000 readiness. • During the Implementation phase, all mission critical applications had Year 2000 renovation completed by March 31, 1999. In some cases, implementation of replacement applications had been completed. Year 2000 renovation on four small, non-mission critical systems was completed by April 30, 1999. • Since February 1, 1999, all changes to existing applications were reviewed for Year 2000 risk and tested as appropriate prior to production implementation. • Approximately 900 FDIC employees spent the New Year's three-day weekend testing the FDIC's computer systems and networks to ensure they were functional.
Goal Discontinued in 2000	The goal represented a one-time event and was accomplished as described above.

Annual Performance Goal 4	A Corporate Strategy is Developed to Ensure That a new Generation of Managers and Senior Professionals is Prepared to Assume Future Leadership Positions Within the Corporation
Indicator	OPERATING COMMITTEE APPROVAL OF SUCCESSION PLANNING TASK FORCE RECOMMENDATIONS
Target	DECEMBER 31, 1999
1999 Results	The FDIC did not fully achieve this Annual Performance Goal. At the outset of the year, the emphasis was on defining the approach for succession planning. Other Federal agencies and private sector companies that had undertaken succession planning activities were identified for potential "best practices" that could be applied to the FDIC's succession planning efforts. An interdivisional Task Force was formed to guide succession planning. This Task Force worked to determine the framework and approach for the succession planning efforts. The Task Force recommended that the succession planning initiative be incorporated into the FDIC's Management Excellence Program (MEP) in 2000. The MEP would include a formal management/leadership track available to all FDIC employees and expansion of the Corporation's Career Development Program. This recommended approach was approved by senior management in November 1999 and is reflected as a priority in the 2000 Annual Performance Plan. The priority for 2000 will focus on completing the development of a corporate strategy and developing an action plan for implementation of the strategy by the Management Excellence Program Committee.

Annual Performance Goal 5	Corporate-Level Diversity Plan is Finalized
Indicator	PUBLICATION OF PLAN
Target	DECEMBER 31, 1999
1999 Results	• The Diversity Strategic Plan was presented to and approved by the Board of Directors on May 25, 1999. • The comprehensive Plan includes strategies for implementation of the diversity initiative - with an implementation timeline, which runs through the first quarter of 2002. The launch of the overall initiative, including the orientation activities was completed.
Goal Discontinued in 2000	The goal represented a one-time effort and was accomplished as described above. The following goal has been established in the 2000 Annual Performance Plan to implement the six major initiatives of the Corporate Diversity Strategic Plan: The Corporate Diversity Plan is Implemented According to Schedules as Published in the Plan

Annual Performance Goal 6	Weaknesses are Identified, Resolved On or Before the Estimated Completion Date (ECD), and are Not Repeated.
Indicator	NUMBER OF OPEN AUDIT CONDITIONS
Target	NUMBER OR PERCENTAGE

1999 Results



- From January 1, 1999 to December 31, 1999, the number of open audit conditions was reduced from 450 to 170.
- Management completed corrective actions before the Estimated Completion Date (ECD) or Revised Estimated Completion Date (RECD) in 453 cases, or 87.1% of the 520 audit conditions closed in 1999. *[Shown on Bar 3.]*
- Of the 240 audit conditions identified in FDIC Office of Inspector General (OIG) and General Accounting Office (GAO) reports issued in 1999, 230 were not repeat conditions. *[Shown on Bar 2.]* OICM continues to work with OIG, GAO, and the Divisions and Offices to monitor the effectiveness of corrective actions that have been implemented. These corrective actions should prevent reoccurrence of previous audit conditions.

Budget and expense figures will not be separately stated for the Management of Strategic Resources area. To the extent services provided in this area constitute Program Support, these support costs have been assigned to Corporate Programs as appropriate.

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STRATEGIC GOALS SHOWN WITH RELATED ANNUAL PERFORMANCE GOALS		
STRATEGIC GOAL		ANNUAL PERFORMANCE GOALS
MSR-SG 1	Sufficient and Reliable Information is Maintained and Disseminated	♦ Recommendations for Addressing Identified Gaps in Information are Developed ♦ Economic Analysis is Conducted of and Reports are Produced on Major Public Policy Issues (e.g., Financial Modernization, Globalization) Facing the Corporation and the Industry
MSR-SG 2	Information Technology is Provided to Support the Corporation's Strategic Direction and Annual Performance Objectives	♦ Year 2000 Validation and Implementation of Internal Computer Application Systems is Completed by 03/31/99
MSR-SG 3	The FDIC's Workforce is Professional, Efficient and Highly Skilled	♦ A Corporate Strategy is Developed to Ensure That a new Generation of Managers and Senior Professionals is Prepared to Assume Future Leadership Positions Within the Corporation ♦ Corporate Level Diversity Plan is Finalized
MSR-SG 4	The FDIC has a Strong Internal Control and Risk Management Program	♦ Weaknesses are Identified, Resolved on or Before the Estimated Completion Date, and are not Repeated

Glossary

APG
An Annual Performance Goal (APG) is a statement of achievement, which can be used in measuring how well the FDIC is meeting the relevant Corporate Strategic Goal and Objective. The Annual Performance Goal consists of a Performance Indicator and Target.

BIDI (Billion Dollar or More Depository Institution)
BIDI is a billion Dollar or More Depository Institution, which is defined as any insured unit bank or thrift with assets of $1 billion or more. BIDI reviews supplement LIDI reviews, providing a bottom-up perspective via reviews of individual depository institutions. In conjunction with the revised LIDI program, the BIDI program was canceled during the fourth quarter.

CAEL
An electronic offsite monitoring system which was principally designed to identify emerging supervisory concerns. It serves as an early warning system of potential deterioration. CAEL rates Capital, Asset Quality, Earnings, and Liquidity, using ratios developed from quarterly reports of condition and income.

CAMELS
Uniform Financial Institution Rating System by which institutions are assigned a composite rating from 1 to 5. A "1" rating is the highest rating and indicates the strongest performance and risk management practices, and thus the least supervisory concern. The "5" rating is the lowest rating and indicates the weakest performance and inadequate risk management practices. The "5" rating warrants the highest degree of supervisory concern. Component factors are rated for:

C - adequacy of capital
A - quality of assets
M - capability of management
E - quality and level of earnings
L - adequacy of liquidity
S - sensitivity to market risk.

ENFORCEMENT ACTIONS (FORMAL/INFORMAL)
Agreements entered into between the FDIC and supervised financial institutions that are intended to outline necessary corrective actions related to compliance issues.

GMS (Growth Monitoring System)
An offsite monitoring system principally designed to identify institutions that have experienced significant growth. It serves as an early warning system of potential deterioration. GMS uses ratios developed from quarterly reports of condition and income.

Institution Directory System
The Institution Directory (ID) System provides the latest comprehensive financial profile for every FDIC-insured institution. It permits the analysis and comparison of data for individual banks or groups of banks.

LIDI (Large Insured Depository Institution)
A Large Insured Depository Institution is defined as any insured depository institution with consolidated company assets exceeding $10 billion. During 1999, the LIDI program was revised and the threshold requirements for preparing LIDIs were raised from $3 billion to $10 billion. While these companies are primarily holding companies, the program also includes unit banks and thrifts. The review of LIDIs permits review of the total company, from a top-down perspective.

NON-ASSET DEFENSIVE LITIGATION ("NADL")

NADL is litigation initiated by failed financial institution employees, creditors, shareholders or other individuals or entities formerly employed by or otherwise associated with a failed financial institution. NADL is not directly associated with a tangible asset (e.g., realty, commercial collateral) of the failed institution; however, NADL may result from disallowed receivership claims, claims against a receivership for assets that have been sold, written off or otherwise disposed of and/or the asset no longer is in direct control of the receivership or FDIC Corporate.

NON-FINANCIAL RECEIVERSHIP(S)

A non-financial receivership is an active receivership that usually results from a "pass-through" closure or corporate purchase of all assets at closure. These are carried off-book by the Division of Finance and do not appear on the Financial Information Management System's (FIMS) bank tables.

PREMIUM RATE CASES

Memoranda to the Board of Directors, prepared semiannually, to assist in setting Bank Insurance Fund (BIF) and Savings Association Insurance Fund (SAIF) rates for the ensuing assessment period.

REQUIRED EXAMINATIONS

Required examinations consist of not only those examinations that are required by statute, but those covered by agreements between the FDIC and state banking officials.

RISK-BASED PREMIUM SYSTEM

An automated menu-driven system, named RRPS (Risk-Related Premium System) located on the FDIC mainframe computer. The system's primary purpose is to assign semiannual deposit assessment risk classifications to all FDIC-insured depository institutions.

SCOR

Statistical CAMELS offsite rating (SCOR) uses call report data to identify institutions likely to receive a CAMELS downgrade at the next examination. It uses statistical techniques to estimate the relationship between Call Report data and examination results.

SUBPRIME LENDING

Subprime loans also are referred to as marginal, nonprime loans, or below "A" quality loans. There are no established guidelines for determining the degree to which a borrower is considered subprime, so one lender's "B" customer could be another lender's "C" customer.

SYNDICATED CREDIT MARKETS DEFINITION

Syndicated loans are essentially larger commercial credits to one borrower that are divided into pieces by a lender or a group of lenders (a "syndicate"). Each bank receives a pro-rata share of income based upon the level of participation in the credit. Syndicated loans differ slightly from loan participations—only one lender originates a participation loan.

T-STATUS

The initial step of the receivership termination process, where after receiving delegated authority to inactivate the given receivership, it is placed in T-Status on the FIMS, disallowing further expensing entries to the receivership.

APPENDIX A: STRATEGIC GOALS & OBJECTIVES

Included on the proceeding pages are matrices depicting the Strategic Results, Strategic Goals and Strategic Objectives for the FDIC's Insurance, Supervision and Receivership Management Programs. Also included is a matrix depicting the Operating Principle, Resource Goals and Resource Objectives for the Effective Management of Strategic Resources area.

Insurance Program

Strategic Result	Strategic Goals	Strategic Objectives
Insured depositors are protected from loss without recourse to taxpayer funding	Customers of failed insured depository institutions have timely access to insured funds and services	Appropriate closing procedures are in place Contingency plans are in place to deal with future banking crises
	Deposit insurance funds remain viable	Risks to insured depository institutions are identified and communicated to the industry and its supervisors Entry into the system through applications for deposit insurance is consistent with prudential standards[1] Assessment revenues are sufficient to maintain the designated reserve ratio Investment strategies provide liquidity, preserve capital and maximize returns, subject to statutory limitations
	Consumers know what funds are insured	Insured depository institutions make accurate disclosures Deposit insurance information is provided to the industry and consumers
	U.S. leadership on deposit insurance is provided to ensure support for international financial stability[1]	Coordinate the FDIC's participation on issues related to global financial stability, including the dissemination of the FDIC's expertise and experience on supervisory, resolution and receivership and deposit insurance issues FDIC staff skills in supervisory, resolution and receivership and deposit insurance issues are maintained and enhanced

[1] This strategic objective was added in the 2000 Annual Performance Plan
[2] This strategic goal and the associated objectives were added in the 2000 Annual Performance Plan

Supervision Program: Safety and Soundness

Strategic Result	Strategic Goals	Strategic Objectives
Insured depository institutions are safe and sound	Insured depository institutions appropriately manage risk	Risks to insured depository institutions are identified and integrated into the supervisory process Insured depository institutions comply with laws and regulations relating to safety and soundness Adequacy of management systems to monitor, identify and control risk are evaluated and action taken as appropriate Riskier insured depository institutions are charged higher premiums Adequacy of management ability to address Y2K is evaluated and action taken as appropriate FDIC takes action as appropriate to promote market discipline of insured depository institutions Industry officials are aware of FDIC's approach to safety and soundness practices Expansion in the system is consistent with prudential standards[3]
	Problem insured depository institutions are recapitalized, merged, closed or otherwise resolved	Problem insured depository institutions are identified Problem insured depository institutions are appropriately addressed

[3] This strategic objective was modified in the 2000 Annual Performance Plan

Supervision Program: Consumer Rights

Strategic Result	Strategic Goals	Strategic Objectives
Consumers' rights are protected and FDIC-supervised insured depository institutions invest in their communities	Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws	Consumer information is provided to FDIC-supervised insured depository institutions and the public Complaints and inquiries are responded to in a timely manner Outreach activities are conducted for community groups and insured depository institutions to promote community development
	FDIC-supervised insured depository institutions comply with consumer protection, CRA and fair lending laws	FDIC-supervised insured depository institutions are examined to determine their understanding of and compliance with laws and regulations and CRA examination results are made public Effective action is taken to correct identified violations of laws and regulations FDIC application process properly considers consumer protection, CRA and fair lending laws

Receivership Management Program

Strategic Result	Strategic Goals	Strategic Objectives
Recovery to creditors of receiverships is achieved	Failing insured depository institutions are resolved in the least-costly manner in accordance with law	Assets and liabilities are valued and assessed Failing insured depository institutions are marketed broadly
	Receivership assets are managed and marketed to maximize net return	Receivership assets are inventoried and valued Effective disposition strategies are executed in a timely manner Assets are effectively serviced
	Professional liability and other claims of the receivership are pursued in a fair and cost effective manner	Potential claims and recovery sources are investigated Valid claims with a reasonable potential for recovery in excess of costs are pursued in a timely manner Claims with public policy value are pursued
	Receivership claims and other liabilities are resolved in a fair and cost effective manner	Potential claimants are notified Asserted claims are reviewed and resolved in accordance with applicable law

Effective Management of Strategic Resources

Operating Principle	Resource Goals	Resource Objectives
Corporate resources are managed effectively to enable the Corporation to fulfill its mission	Sufficient and reliable information is maintained and disseminated	Information that affects the FDIC and the industry is identified and acquired Information is shared internally and externally, subject to confidentiality safeguards Accurate, consistent and timely information and analysis are provided to the Congress, Federal and state supervisory authorities, insured depository institutions and the public
	Information technology is provided to support the Corporation's strategic direction and annual performance objectives	Computer systems are Y2K compliant Application systems are provided and maintained to support Corporate activities An efficient and effective information technology infrastructure is maintained to support Corporate activities
	The FDIC's workforce is professional, efficient and highly skilled	The size and skills of the FDIC workforce are matched to current and projected workload The FDIC's workforce is well trained and flexible A new generation of managers and senior professionals is developed to succeed the current leadership The FDIC work environment is one that supports and fosters a diverse workforce
	The FDIC has a strong internal control and risk management program	Corporate risks are identified, evaluated, monitored, and managed on an on-going basis Corporate managers and employees are aware of the importance of strong internal controls

APPENDIX B: COMPARATIVE PERFORMANCE MATRICES

The matrices below depict the "like" annual performance goals the FDIC has implemented over the past two calendar years. Applicable prior-year annual performance goal results are summarized below. Detailed year-end performance information for 1999 is presented in the report body.

Insurance Program: Depositor Payouts in Instance of Failure

YEAR	GOAL	RESULTS
1998	Reopen new institution or begin depositor payouts within 3 calendar days of failure	*Three insured depository institutions failed in 1998. Depositors of each failed insured institution had access to their funds within 3 calendar days of failure*
1999	Insured deposits are transferred to successor insured depository institution or depositor payouts are begun within three days of insured depository institution failure	*Depositors had access to their funds within 3 calendar days of the failure in 7 of 8 insured depository institutions that failed in 1999. The exception was the First National Bank of Keystone, Keystone, WV.*

Insurance Program: Risk Identification and Reporting

YEAR	GOAL	RESULTS
1998	Produce regular Division of Supervision and Division of Insurance reports discussing the condition of the industry and developments affecting the risk profiles of FDIC-insured institutions	*During 1998, the following occurred:* • *Published 3 deposit insurance issue papers* • *Published four issues of Regional Outlook* • *Published four Regional Commentaries on the Web* • *Published Condition of the Funds and Assessment Analysis Report* • *Rolled out the Regional Economic Conditions: Report for Examiners, a Web-based tool* • *Published Bank Trends*
1999	Risks emerging in 1999 to insured depository institutions are identified through off-site and on-site risk identification processes and are communicated through a variety of reports to the banking industry and its supervisors	*Risk identification processes highlighted the following risks areas and concerns:* • *Subprime lending* • *High loan-to-value lending (HLTV)* • *Acquisition, development, and construction (ADC) lending practices* • *Loan underwriting standards* • *Agricultural risks* • *Electronic banking* • *Privacy*

Insurance Program: Risk Classifications

YEAR	GOAL	RESULTS
1998	Conduct semiannual risk classifications assigned and reviewed for Board approval of BIF and SAIF premium rate cases	*Produced and presented insurance premium rate cases to the FDIC's Board of Directors within the semiannual deadline.*
1999	The Risk-Based Premium System appropriately reflects risks to the deposit insurance funds and modifications are explored that may make the system more forward-looking	• *Financial Risk Committee established to include a broader consideration of changes in fund exposure* • *Developed and tested "objective screens for use in the review process for premium assignments* • *Developed procedures to re-classify screened banks with inadequate risk management practices*

Supervision Program - Safety and Soundness: Risk Assessments

YEAR	GOAL	RESULTS
1998	Provide quarterly risk assessment analysis by reviewing 100% of exceptions identified by CAEL and GMS	*During 1998, reviewed 100% or 565 CAEL and 100% or 703 GMS exceptions.*
1999	For FDIC-insured depository institutions, off-site reviews are performed of all SCOR and GMS exceptions and LIDI/BIDI reviews are conducted; appropriate follow-up course of action, if any, for identified supervisory concerns is determined	• *100% or 628 SCOR exceptions reviewed* • *100% or 675 GMS exceptions reviewed* • *100% of LIDI reviews conducted* • *BIDI program was discontinued*

Supervision Program - Safety and Soundness: Examinations

YEAR	GOAL	RESULTS
1998	Perform 3,081[1] safety and soundness examinations	*Initiated 2,399, or 86% of required safety and soundness examinations*
1999	On-site safety and soundness examinations are performed in accordance with statutory requirements, FDIC policy and state agreements or as otherwise needed	*Initiated 2,555, or 95% of required safety and soundness examinations*

[1] The number of safety and soundness examinations required during a given year changes as a result of mergers and acquisitions, failures, and agreements with state authorities. As such, the actual number of examinations required during the year may not match the original estimates.

Supervision Program - Safety and Soundness: Year 2000 Readiness

YEAR	GOAL	RESULTS
1998	Conduct timely on-sight Year 2000 examinations for all state non-member banks and independent data servicers by June 30, 1998	*As of 6/30/98, examined 6,027 or 100% of all state non-member institutions to evaluate Year 2000 readiness and assessed Year 2000 readiness for 153 or 100% of servicers.*
1999	On-site Year 2000 readiness assessments are conducted to address testing, implementation and contingency planning for state non-member banks and independent data centers no later than 3/31/99. Appropriate follow-up action(s) is taken as needed	*Completed 100% of Y2K assessments and required follow-up actions. As a result, there were no material or adverse developments during the Y2K roll-over period.*

Supervision Program - Consumer Rights: Consumer Complaints and Inquiries

YEAR	GOAL	RESULTS
1998	Responses on complaints and inquiries provided within time frames established by policy	*Received nearly 3,900 consumer complaints in 1998 and responded in an average of 57 days. Received nearly 2,600 consumer and insured depository institution inquiries in 1998 and responded in an average of 11 days.*
1999	Conduct a Pilot Survey in the DCA Washington Office to Determine Whether Consumers Who Have Received Written Responses From the FDIC Regarding Their Complaints and Inquiries are Satisfied[2]	*A pilot customer satisfaction survey was conducted, however, baseline data were not established due to a low response rate.*

[2] Revised from original plan.

Supervision Program - Consumer Rights: Compliance Examinations

YEAR	GOAL	RESULTS
1998	Percentage of 1,610 compliance and CRA examinations according to an agreed-upon schedule	*Started 1,989 examinations or 124% of the annual target*
1999	On-site CRA, consumer protection and Fair Lending law compliance examinations of FDIC-supervised insured depository institutions are conducted per Board policy; changes in compliance ratings of FDIC-supervised insured depository institutions are monitored	*Started 2,368 examinations or 102% of the annual target*

Supervision Program - Consumer Rights: Enforcement Actions

YEAR	GOAL	RESULTS
1998	Measure effectiveness of formal and informal enforcement actions based upon migration of institutions of supervisory concern to satisfactory compliance and measuring changes after enforcement actions	*As of December 31, 1998, 10 institutions were designated as compliance problems and rated "4"*
1999	Corrective actions are taken, if appropriate, to address problems identified during compliance examinations; bank compliance with those actions is monitored	*As of December 31, 1999, 9 institutions were designated as compliance problems and rated "4"*

Receivership Management Program: Cash Collections of Failed Bank Assets

YEAR	GOAL	RESULTS
1998	Collect $1.15 billion from the administration and disposition of failed institution assets by year-end 1998.	*Net cash collections totaled $1.63 billion, or 142% of the target. Total collections were $3.55 billion including a $1.76 billion corporate purchase and $150 million from securitization transactions that were called.*
1999	Achieve $493 million in cash collections[3]	*Cash collections totaled $980 million, or 199% of the target*

[3] Revised from original plan.

Receivership Management Program: Book Value Reduction of Assets

YEAR	GOAL	RESULTS
1998	Achieve $1.65 billion in book value reductions by year-end 1998 of failed institution assets managed by FDIC	*Book value reductions totaled $2.37 billion, or 144% of the target*
1999	Achieve $1.425 billion in book value reductions[4]	*Book value reductions totaled $1.633 billion, or 115% of the target*

Strategic Resources: Policy Analysis

YEAR	GOAL	RESULTS
1998	Develop FDIC regulations and statements of policy that address emerging market, economic, technological and legislative developments	*FDIC, working with other members of the FFIEC, issued guidance related to testing and contingency planning for Year 2000 readiness, the Year 2000 Readiness Program, the Year 2000 Readiness Assessment Strategy for FDIC-supervised insured depository institutions and a FDIC consumer information brochure on the Year 2000 date change.*
1999	Economic analysis is conducted of and reports are produced on major public policy issues (e.g., Financial Modernization) facing the FDIC and the industry	*Numerous studies and analyses completed including:* • *Articles in <u>FDIC Banking Review</u>* • *Working Paper Series* • *Paper presented at Basel Committee Workshop on Empirical Research*

[4] Revised from original plan.

APPENDIX C: PROGRAM EVALUATION[1]

During 1999, the Federal Deposit Insurance Corporation (FDIC) completed evaluations of programs designed to achieve the seven strategic objectives set forth in the Insurance section of the FDIC's Strategic Plan for 1998-2003. Because these are the first such evaluations under GPRA, they were undertaken as a pilot project. The following summarizes the results of the evaluation of efforts supporting the strategic objectives in the Insurance area.

Strategic Objective I.1.1. Appropriate Closing Procedures Are in Place

Issues evaluated

- Are depositors paid promptly?
- Are insured balances and depositors' identities accurately recorded?
- Are there differences in handling these actions for Bank Insurance Fund (BIF) versus Savings Association Insurance Fund institutions (SAIF)?

Findings

The FDIC has appropriate procedures in place to close an insured depository institution and to assure that insured depositors have prompt access to their funds. In this respect, no differences between BIF and SAIF institutions were observed. These conclusions are supported by examination of existing manuals and other materials, as well as by internal and management control reviews that reveal no deficiencies in paying depositor claims.

Recommendation

The evaluation team recommended that receivership business plans include the time period after a closing when depositors are paid. In line with past objectives, the FDIC's 1999 Annual Performance Plan sets forth the goal that, within three days of an institution's failure, its deposits are to be transferred to a successor institution or deposit payouts are to begin.

Follow-up

The time period from failure date to depositor payout is available through the FDIC's receivership oversight program and is currently tracked through quarterly reporting for the Corporate Annual Performance plan.

[1] This summary is based on reports presented to the FDIC's senior management on March 31, 1999.

Strategic Objective I.1.2. Contingency Plans are in Place to Deal with Future Banking Crises

Issues Evaluated

- How does the FDIC prepare to deal with "typical" and "atypical" risks?
- What contingency plans does the FDIC have for dealing with new situations?

Findings

The FDIC has a well-organized and well-understood process to develop contingency plans for newly identified problems in the banking and thrift industries. Typically, the problem is identified, a task force is established, the project is organized, data are collected and studies are undertaken, and a contingency plan is completed. The process has been in use since 1995 and has produced three completed contingency plans: Derivative-Related Bank Failures, Complex Institution Failures, and Y2K Failures. A fourth contingency plan, Large Insured Depository Institution Failures, is scheduled for completion in early 2000.

Strategic Objective I.2.1. Risks to Insured Depository Institutions are Identified and Communicated to the Industry and Its Supervisors

Issues Evaluated

- How does the FDIC identify, analyze, and evaluate the nature of the risks faced by depository institutions?
- Does the FDIC have adequate methods for identifying these risks?
- Does the FDIC efficiently and effectively collect risk information?
- Are the risks that are identified by the FDIC effectively communicated to the industry and its supervisors?

Findings

FDIC has extensive mechanisms for identifying risks to depository institutions and communicating information on these risks to the industry and its supervisors. However, the corporation's success in achieving this objective does not lend itself to measurement and may become apparent only after a period of years, most probably in the event of a serious economic recession. Accordingly, the FDIC has made major efforts to be proactive in identifying risks and making bank monitoring systems forward-looking. The corporation has made significant organizational changes as well as changes in off-site monitoring systems and on-site examination procedures. The intent is to identify and address emerging risks promptly while there are opportunities for preventing significant losses.

Strategic Objective I.2.2. Assessment Revenues Are Sufficient to Maintain the Designated Reserve Ratio

Issues Evaluated

- Are the BIF and SAIF adequately capitalized?
- Are the contingent loss reserves for BIF and SAIF adequate?
- Are insurance assessment revenues adequate to maintain the designated reserve ratio (1.25 percent of insured deposits) for each fund?

Findings

Whether assessment revenues are sufficient to maintain the 1.25 percent ratio for the BIF and SAIF depends heavily on the FDIC's success in projecting future bank and thrift failures. The contingent loss reserve is designed to cover the costs of failures that seem probable over the next year, while the net worth of the BIF and that of the SAIF (which are subject to the 1.25 percent requirement) are for unanticipated failures. Forecasts of failures beyond the immediate future are obviously subject to error, particularly in periods of rapid economic change. Given this limitation, however, this evaluation revealed no problems or questions that need to be addressed at this time. The FDIC seeks to make the best use of available information in monitoring developments that may affect future failures. Research on the adequacy of the 1.25 percent ratio has been conducted on the basis of past experience, and work is on-going on potential deviations from past experience due to the Y2K problem and industry consolidation. Periodic analyses are provided to the Board and to committees with responsibilities for meeting this objective.

Strategic Objective I.2.3. Investment Strategies Provide Liquidity, Preserve Capital, and Maximize Returns, Subject to Statutory Limitations

Issues Evaluated

- What are the FDIC's investment objectives and strategies?
- Is there a mechanism for examining the FDIC's portfolio performance?

Findings

In managing its investments pursuant to the Corporate Investment Policy, the FDIC assesses macroeconomic developments, monitors its cash position daily, formulates quarterly investment strategies, prepares monthly investment status reports, and reassesses strategies when circumstances warrant. Performance measures have been established to provide a reasonable balance between the objectives of maintaining liquidity, preserving capital, and maximizing returns. This evaluation raised a question about the appropriateness of the performance measure for maximizing investment returns. (The current performance standard is that the average yield on new Treasury security purchases should exceed the average yield on 3-year Treasury notes.)

Recommendation

The evaluation team recommends that the Division of Finance (DOF) periodically reevaluate the relevance of this performance measure.

Follow-up

The 3-year Treasury note performance benchmark for the Corporate portfolios has not been formally reviewed because DOF is in the process of procuring a new “state of the art” portfolio management system. This system will automatically calculate (in compliance with Association for Investment Management and Research standards) and report on a range of investment portfolio performance management statistics, the most important of which is *total return.* The investment performance of most major fixed income indices which could be chosen as alternative benchmarks are reported in terms of total returns.

The new system is estimated to be operating no earlier than January 1, 2001. In the interim, DOF will begin researching what widely publicized fixed-income benchmarks would be most appropriate given the FDIC’s portfolio and the policy constraints under which it operates.

Strategic Objective I.3.1. Insured Depository Institutions Make Accurate Disclosures

Issues Evaluated

- Do depository institutions disclose accurate information on which products are insured?
- Do depository institutions disclose accurate information on deposit amounts that are insured?
- What procedures are in place to facilitate accurate disclosures by depository institutions?

Findings

The available evidence suggests that in some cases bank employees have not provided accurate information to consumers on deposit insurance coverage. In the case of mutual funds and other uninsured nondeposit products, the 1994 interagency statement provides a basis for efforts to ensure proper disclosures. With respect to insurance coverage on deposit accounts (for example, insurance limits on joint and payable-on-death accounts), the FDIC has relied mainly on education programs for consumers and bank personnel. Simplification of certain deposit insurance rules should facilitate accurate disclosures with regard to insurance coverage for deposit accounts.

Recommendation

The evaluation team recommends that the effects of such rule changes be monitored to determine whether additional initiatives are needed in the future and whether they would be cost-effective in facilitating accurate disclosures by insured depository institutions.

Follow-up

The FDIC implemented new rules that simplify deposit insurance rules.

Strategic Objective I.3.2. Deposit Insurance Information is Provided to the Industry and to Consumers

Issue Evaluated

- Is the information provided by the FDIC to the industry and to consumers easily accessible, widely distributed, accurate and understandable?

Findings

The FDIC has an extensive and expanding program to provide information on deposit insurance to the public and the industry. Among the means used to disseminate information are consumer education brochures, a toll-free telephone center, seminars for bank employees, a handbook for use in banks' training programs for their employees, articles in *Consumer News*, and the Electronic Deposit Insurance Estimator (EDIE). Information is widely distributed and readily accessible. The FDIC's Division of Compliance and Consumer Affairs (DCA) reports quarterly on its performance in providing financial institutions and the public with deposit insurance information. The effectiveness and accuracy of the information provided by the FDIC is checked by a number of means. With respect to the large volume of telephone inquiries or complaints, new FDIC employees and contractors are monitored for the first month after training. Random checks of other staff have also been conducted.

Recommendation

The evaluation team recommends that DCA incorporate a more formal program for monitoring the responses of FDIC telephone center employees to telephone inquiries by consumers in its division-wide internal control program.

Follow-up

In response to the recommendation, the FDIC will evaluate the coding system in its Specialized Tracking and Reporting System (STARS), which is used to capture and report information about the nature of telephone complaints and inquiries. This enhancement will allow the FDIC to gather and report data on consumer complaints related to the dissemination of inaccurate deposit insurance information.

Copies of the complete Insurance Program Evaluation Report may be obtained from the FDIC's Public Information Center at 801 17th Street, NW, Room 100, Washington, D.C. 20434. Copies may be requested in person, by mail, by telephone: (800) 276-6003 / (202) 416-6940, by fax: (202) 416-2076, or by e-mail: publicinfo@fdic.gov.